★ STOCK MARKET AND TIGHT MONEY ★

The MAGAZINE of WALL STREET

and BUSINESS ANALYST

DECEMBER 5, 1959 85 CENTS

1960 --A YEAR of MANY UNCERTAINTIES
By HOWARD NICHOLSON

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RECORD ECONDARY" OFFERINGS nd SALES by INSIDERS
By ROBERT B. SHAW

pecial Investment Features...

HOW FOOD CHAINS are Meeting Labor Problems - Competition
By ROBERT G. SCANLON

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9 SOUND STOCKS Suitable for Averaging- nvestment on Substantial Market Reaction
By WARREN J. FREDERICKS

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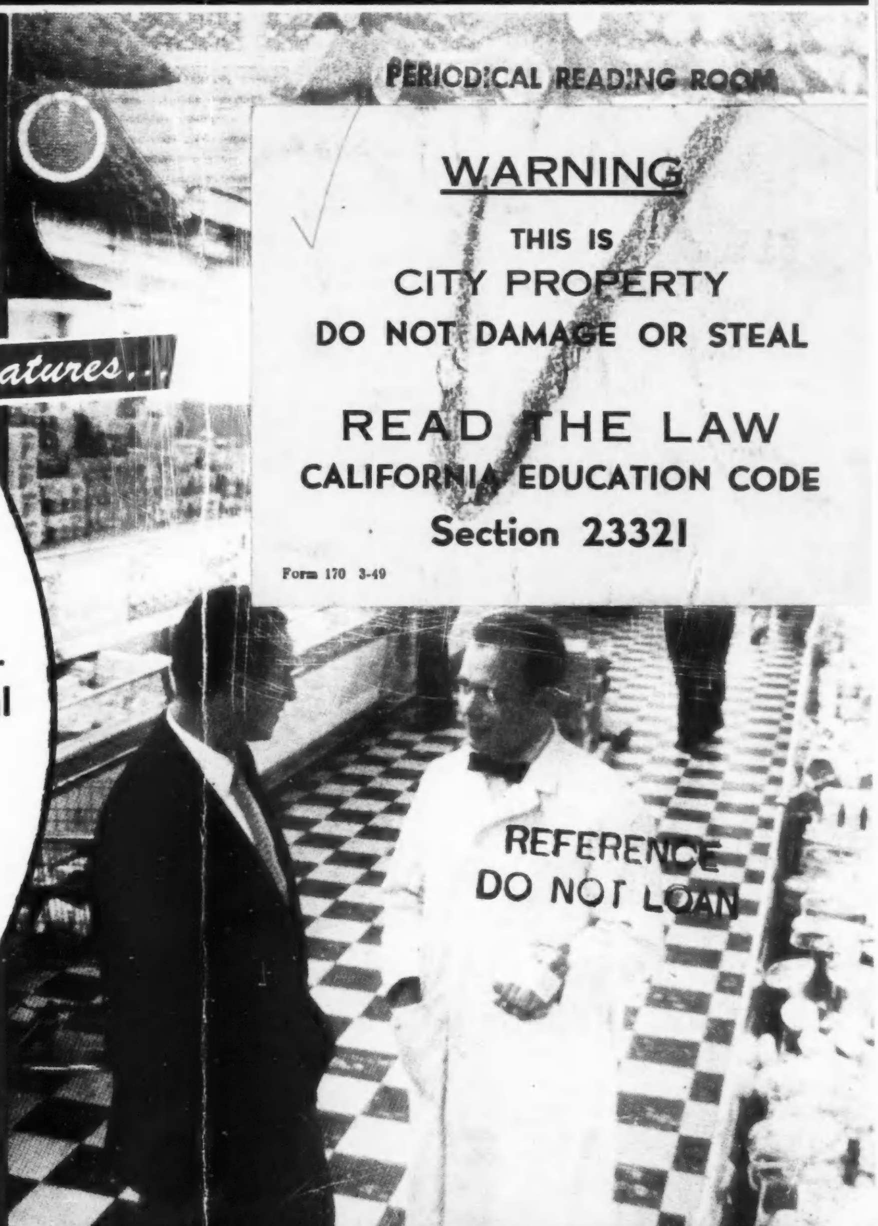
The ACTS of GOD that put Domestic BEET SUGAR Industry in a Better Position
By CHARLES H. RIPLEY

Important Decisions Pending

On Piping CANADIAN NATURAL GAS to NITED STATES MARKETS
By W. E. GREENING



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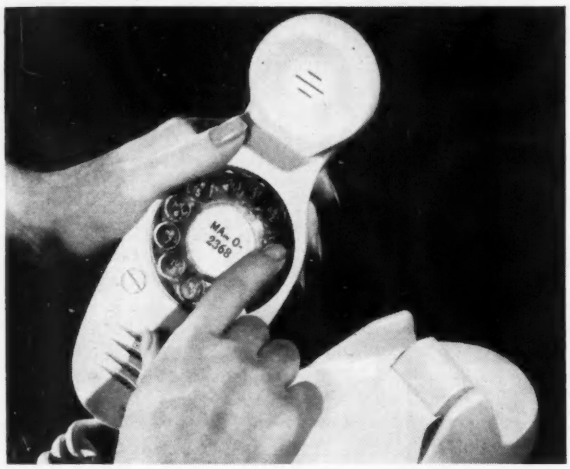
▲ *A kitchen phone that can be recessed in a wall or cabinet.*

▲ *A phone that has push buttons instead of a dial for calling.*

▼ *A phone with the dial conveniently placed in the handset.*



▼ *A compact microphone-dial unit for "hands-free" telephoning.*

TOMORROW'S TELEPHONES ?

They're being tested today!

These are models of some new and different telephones that we're testing in the homes of certain of our customers. We want to discover what the customers themselves find most useful and attractive about these phones, and what changes could be made to improve them.

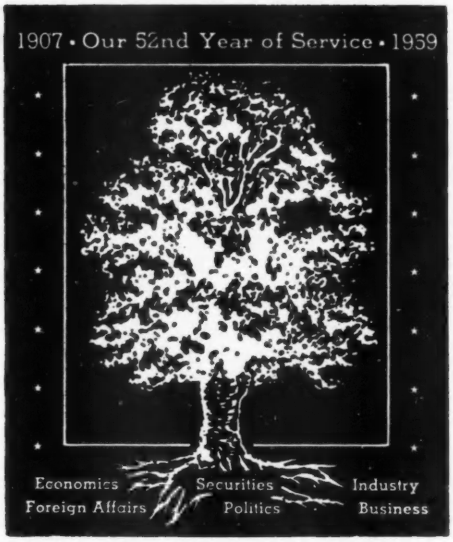
Exciting in themselves, these new telephones are also symbols of many exciting changes going on "behind the scenes" to make the telephone still more useful and convenient. (For example, millions of our customers can now dial their own long distance calls direct.)

Some day you may have one or more of these phones in your home. But even if these experimental models are never put into full production, the research and technical skills that went into them will be used in other ways, to bring you continually improving telephone service.

BELL TELEPHONE SYSTEM

THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*



The Trend of Events

HOW LONG? . . . The patience of the people of this country is unbelievable in the light of the suffering we endure from the abuse of power by our labor leaders, who autocratically force their will upon us —wreak hardships on the workers—decide whether the citizens of this country should be able to carry on their business affairs or have the transportation necessary to go about their daily tasks—and give them no recourse, nor can they fight back when the union decides to cut off their food supply at their grocers, as recently happened when the A. & P. had to close down more than 400 stores in New York City because of a strike by their warehousemen—which was duplicated in other cities as far as Los Angeles.

You can count on the fingers of your hand five labor leaders, among others, who give us the "stop" and "go" signal as it suits their purpose and their whims. And this goes on while the workers use up their savings and unpaid bills pile up although they have tightened their belts several notches. But the salaries of the labor leaders aren't cut off. They are still able to collect for various perquisites they are in the habit of receiving. And, of course, a strike entails use of huge sums of unauthorized funds.

We find it shocking that Mr. David J. MacDonald, head of the Steel Union, should have been able to call a strike against the will of his own union members —and the wishes of the United States Government—subjecting the people of this country to hardships and heavy losses. There must be an end to such autocracy. An answer must be found.

Another instance of "let the public be damned" attitude is the recent defiance of the Transit Authority by Michael Quill, head of the Transport Union in the great City of New York. When his demand for a $75 million wage increase was refused on the ground that the money was just not there, he belligerently told the Authority to go out and get it. Otherwise he threatened to call a strike that would close down transportation for the people of New York on New Year's Eve. Not being able to inconvenience members of the Transit Authority and officials of his union—theyhave their own cars—he decided to take it out on our helpless citizens. Who has given this man who still speaks with a heavy Irish brogue the right to order the lives of our citizens?

Then there is James B. Carey, head of the Electrical, Radio and Machine Workers, who sent communications to members of Congress threatening political reprisals to anyone who voted in favor of the new labor bill. Incredible audacity!

And then there is James Hoffa, president of the Teamsters Union, who flouted the authority of our government again and again by failing to clean out the ex-convicts and to establish an honest accounting system in his union, and ignoring court-appointed monitors until a recent Supreme Court decision obliged him to recognize their authority. What meat does this Caesar feed on?

Nor has this government succeeded in ousting well-known Communist, Harry Bridges, head of the West Coast Dock Workers, despite the power he wields along the docks with all our import and export trade at his mercy. What is wrong with our laws that we cannot get rid of such a man?

That something must be done about correcting this situation that enables these men to exert such vast power over the citizens of his country is self-evident.

We can no longer shrug off these power-hungry labor lords. Congress must take them off our backs.

As I See It!

by Charles Benedict

PRESIDENT EISENHOWER and CHARLES DE GAULLE

SURVIVAL WITHOUT SURRENDER — vs. ***VICTORY*** WITHOUT SURRENDER

THE enthusiasm with which the various countries received the announcement of Ike's visit only a few short weeks ago, when they believed that the President could make decisions for all the Western powers, has been considerably dampened since Charles De Gaulle catapulted himself into the leadership of the European front, by refusing to go along with what he considered to be a dangerous softening in dealing with the Soviet Union.

There is no question but that the insistence by De Gaulle that the ground should be adequately prepared for a Summit Meeting—a position once held by President Eisenhower but now abandoned—has thrown the allies off balance, and created new fears and tensions that have divided the West into two camps. This has induced such an atmosphere of indecision that the President may find the going rough on his new trip, as compared to the smooth sailing he enjoyed during his recent triumphant tour of Europe.

Khrushchev's sudden shift to soft tactics since his Camp David talks with the President, has aroused considerable uneasiness in allied circles regarding what actually transpired between the two — and what understandings were arrived at in private conversations.

The official communique following Khrushchev's visit did not serve to allay the suspicions and distrust occasioned by the President's apparent reversal of his approach to the Summit Meeting, and doubt as to what verbal agreements were entered into, has changed the attitudes of the hard-headed West German Chancellor Konrad Adenauer and French President Charles De Gaulle, who were not content to risk their position and future on British-American efforts to probe Soviet intentions at a conference table, but wanted concrete and definite understandings beforehand as to the subjects to be discussed.

These two stern men felt that the Allied Powers would be making a grave mistake by rushing ill-prepared into discussions with Khrushchev which had little if any chance of success unless the West were prepared to abdicate some of its positions.

The French leader fears that the Western powers are running the risk of making unwise concessions in their effort to show progress. By his firm and uncompromising stand, and the strength of his position, developed first by withdrawing his Mediterranean Fleet from NATO, virtually decimating his troop commitments to the Western command, and refusing to let the United States store atomic warheads at French bases, thus forcing withdrawal of American fighter-bombers from that territory, De Gaulle emerged as the strong man of the Western coalition.

The French President, as well as any realistic thinker, is aware of the fact that the fundamental differences between the objectives of the two World power blocs are as great as ever. Only the tactics have changed. There is no solid evidence that the improved "international climate" is anything but superficial.

The Russians, despite having lowered their voices, have not abandoned the objective of eventual World domination. True enough, Khrushchev now offers to assist our economic and political system to a peaceful death instead of a violent end—for whatever comfort that may be.

But we must recognize that the Soviet Premier's newly assumed mantle of "peacemaker" may not survive the reality of hard bargaining at the conference table during the coming year. His present peace offensive may well be, as many believe, simply a device seeking to achieve the psychological disarmament of the West in order to soften it up for further penetration and conquest.

His new tactics have already won the first skirmish. Once again he has succeeded in creating disunity among the Allies, resulting in a reexamination of the Eisenhower-Macmillan leadership, and the extent to which they would be ready to sacrifice the interests of West Germany or of France, just to reduce the costly burden of the armament race. They realize that in Khrushchev's willingness to make such a deal he was not giving up anything of genuine importance, because he still retains the means of fomenting revolt and disintegration in any country that he chooses to overrun. He does not need a hot war to win his objectives.

Those who favor the new Eisenhower approach believe that Khrushchev's softer tactics are dictated by the necessity of putting his house in order with his Chinese ally, who is refusing to go along with the idea of a Summit Conference, or any program that will bring peace to the world, since she is only at the beginning of her campaign to subdue Asia step-by-step on the road to conquest of the Pacific. And if we are to judge by her adventure in India, she is maneuvering to gain control of the route to the Khyber Pass used by Genghis Khan as he swept from Mongolia into Europe and became lord and ruler of the then known Western civilization.

Now Let's Try It With the Other Violin

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That is what De Gaulle had in mind when he spoke rather bluntly of the threat by "the yellow masses of China" and its danger to the White Race. He had in mind too that Mao was a disciple of Lenin, who had said that World Communism would be achieved by conquest through a vast putsch of Asiatic manpower that would inundate the West.

Under these circumstances, De Gaulle evidently concludes that the much-publicized rift between the Soviet Union and Red China is a snare and a delusion, and that both of the Communist states remain united in the purpose of communizing the world and destroying Western Civilization.

Therefore, the great store that President Eisenhower places on an arms pact seems to De Gaulle to be rather misplaced. This undoubtedly accounts for his insistence on the right to test an atomic bomb in the Sahara, which he believes will enable France to stand on her own feet, and be independent of any agreements made which she does not feel will give the protection she needs—not with the *negative* thought of "survival," but with the *positive* thought of "victory."

The pressure on the United States from Communist sources is coming thick and fast. One day it is Cuba—the next Panama—then it is Japan—and, as we well know, South America is seething with inspired hatred against the United States. The latest report of a $150 million fund made available for anti-U.S. propaganda in the Southern Hemisphere insures a further build-up to a new heat.

Under these conditions, disarmament presents an enormous risk, and I doubt there is any serious possibility of a defense cut—which means that a Summit Conference is bound to be postponed again and again. Who knows whether it will ever materialize after Eisenhower talks with the leaders of the various countries.

The above points up the situation and spells out the differences in thinking that President Eisenhower will have to face on his coming junket to 11 countries. Whether he is going to be able to overcome the doubts and fears in the minds of the various heads of government is a question. His latest statement that "the value of an arms pact far outweighs the risk," may be taken to mean that the United States is leading from weakness instead of from strength, and the Soviet Union is preparing the ground to give this impression by maintaining a rising tempo in the cold war against us.

It will take only a few weeks to tell the story. Then, we shall see what we shall see.

The Market And Tight Money

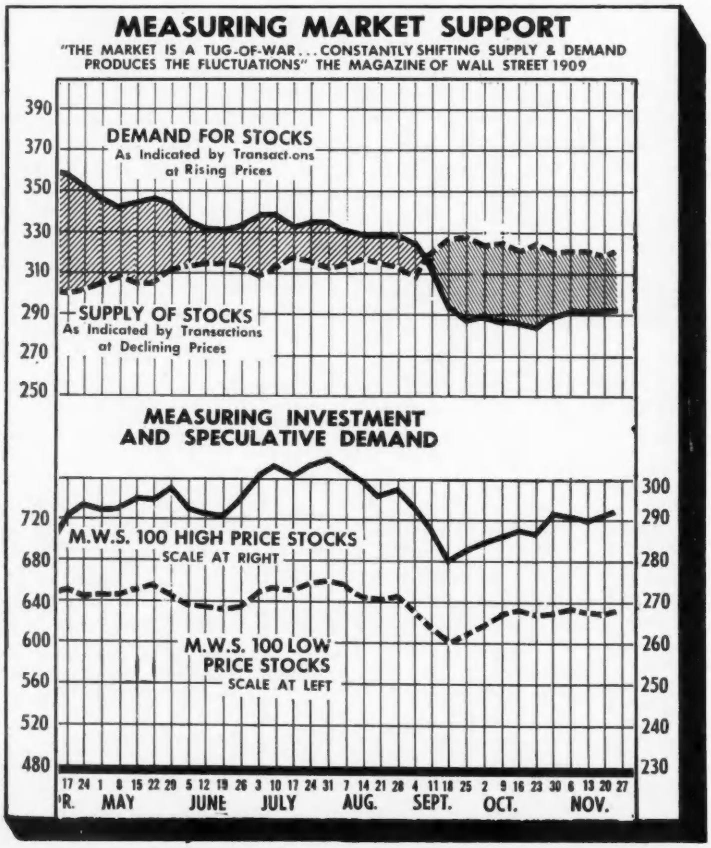
Some extension of recent selective and sluggish improvement in the industrial list is quite possible as year-end seasonal tendencies come into play. But, in addition to current labor and business uncertainties, the monetary factors are increasingly restrictive and might bring crisis later on. Potential vulnerability in stocks could be greater than most investors think.

by A. T. Miller

CROSS-CURRENTS are the principal feature of the stock market at present. That is familiar at this season in years when enough stocks are down sufficiently from their highs to generate a considerable amount of tax selling. It is additionally explained by mixed industry and corporate prospects.

Sufficing to put a comparatively small number of issues to new highs daily, there is selective demand for special-situation industrials, for various institutional-grade stocks believed to have long-pull appeal, and for the speculative favorites of the day regardless of extreme valuations in most instances, notably in those of the electronic-space-age issues.

On the other hand, partly because of tax selling, the number of downside stocks last week was not much less than that for upside stocks, and declines predominated in the prior week. In both weeks of the fortnight, new lows in individual stocks exceeded the number of new highs.



Basis For Year-End Rally

Of course, tax selling will end soon, permitting at least technical rallies in many relatively "depressed" stocks. As a result of that, plus selective investment demand and professional trading operations in anticipation of the traditional year-end move, some short-range improvement in the over-all level of stock prices is readily possible, and might involve a test of the early-August high for industrials.

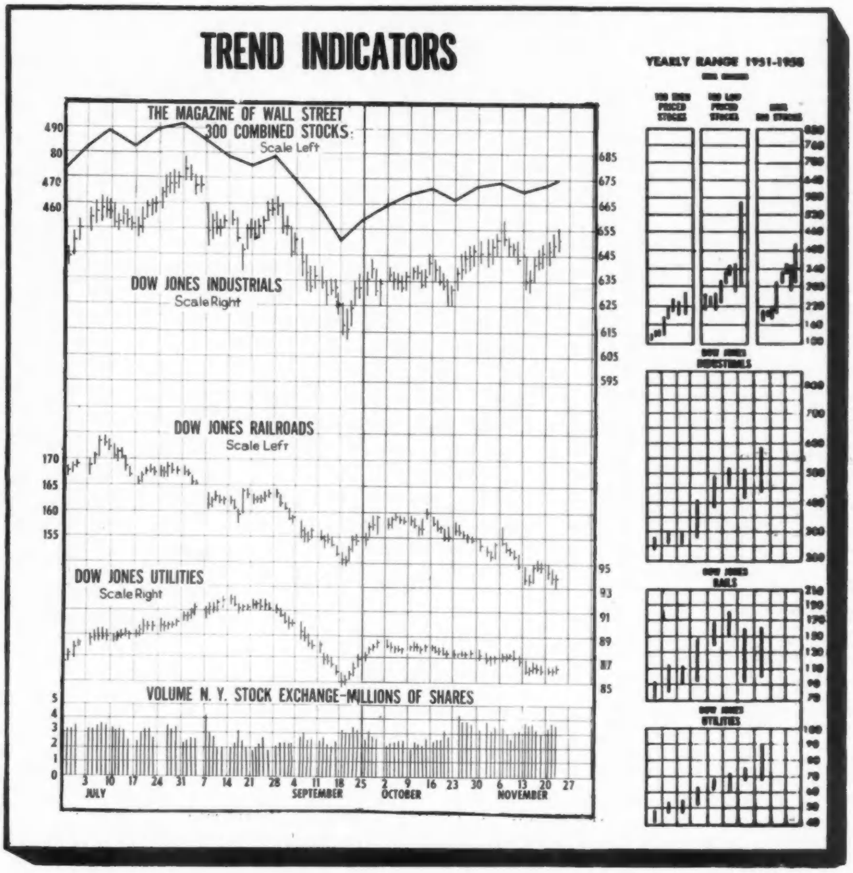
However, for reasons to be detailed further along in this discussion, we do not see a clear road ahead for important, sustained advance. Meanwhile, in terms of performance of the averages, it remains a split-personality market. The Dow industrial average has made a succession of rising highs and lows in rallying from the September 22 low point of the retreat from the August bull-market top; it gained moderately on the last fortnight, and closed last week at a new rally level. Yet so far its extension of the mid-October rally is only some 1.4%. Broader measures of industrial stocks show a similar pattern.

Rails lost ground on the fortnight and are no great distance above the year's poorest level, despite a turn for the better last Friday. Movement of utilities continues narrow. The readings of most technical indicators are inconclusive, although recent improvement

in our Market Support Measures, especially on the Demand side, is somewhat better with respect to short-range rally potentials.

The general opinion reflected by the market is that a steel contract settlement is more likely than a renewed work stoppage of much, if any, duration. Although only time can tell, this view could be right, since the alternative to settlement would have to be a Government-imposed solution objectionable to both sides. The consensus is that a general railroad strike cannot be tolerated and that, if called, would be cut short quickly by a temporary Federal take-over of the roads pending a settlement.

If serious labor trouble is avoided, the business environment will, of course, be favorable at least through the 1960 first half as production losses in steel, automobiles and other lines are made up; and total corporate profits will rebound from the reduced 1959 third-quarter and fourth-quarter levels.



The potentials cited could for a time provide support for the market. Whether they can be broadly stimulative is doubtful, if not, improbable, since the financial factors are definitely on the restrictive side and are bound to become more so. Indeed, one cannot today have confidence that a later monetary crisis will be avoided as matters are drifting.

Financial considerations include high market valuation of earnings, low dividend yields, high money rates—and, for the first time in our history, a formidable international balance-of-payments problem.

Price-earnings ratios and dividend yields emphasize the extent to which hoped-for future growth has been discounted. Tight money is due to strong credit demand and refusal of the Federal Reserve to foster more inflation by pumping funds into the banking system. As always in the past, it implies a later curtailment in general business activity.

Meanwhile, it has direct stock market significance, especially since much money that would go into stocks under more promising conditions will instead go into riskless short-term Treasury obligations at inviting yields well above those of most equities.

These factors of valuation, yield and money rates, plus the increasing maturity of the business cycle, explain why the net market rise as we near the end of 1959 has been so much smaller than that of 1958. And they imply a limited 1960 market potential, even should no business recession start late in the year.

Our deficit in foreign payments is a long story. Suffice it to say here that it has caused a sizable shrinkage in our gold holdings, affected foreign confidence in the dollar, and has built up billions in foreign dollar claims convertible into gold. Since a "run" on gold is possible, Federal fiscal policy and Federal Reserve credit policy can no longer be freely managed without regard for the external consequences of inflation or recession.

What Will Be Done?

There are things that can be done, including reducing or eliminating the uneeded gold-reserve requirement behind our money. But political inertia makes them unlikely before a crisis looms up. If there is an ultimate gold embargo and dollar revaluation—gratifying nobody but our Communist enemies—it would only come after credit crisis of some duration. The market would not ride serenely through such a crisis. But neither would it like a shift to the degree of national discipline required to put the dollar above question and our economy on a sounder, more competitive basis. We advise a generally conservative, highly selective investment policy.

—Monday, November 30.

NINETEEN SIXTY— A YEAR of MANY UNCERTAINTIES

By HOWARD NICHOLSON

► A great deal hinges on labor and Congress.
► Why steel strike is not responsible for slump in key building industry . . . have auto sales been over-estimated?
► The question of consumer credit—now approximately 13% of disposable income.
► Can capital spending be maintained in the face of existing excess capacity?
► Vulnerability of business, looking to 1960.

THE outlook for business next year is shrouded with a thick fog of uncertainties, a fog so thick that it can scarcely be penetrated for more than a very short distance.

To be sure, a few "forecasts" of the 1960 business outlook already have been issued, and the rest of the annual crop can be expected during the next few weeks. However, since no radar has been invented that will penetrate such a fog as surrounds business prospects during the early months of 1960, let alone the full year, it is highly advisable to view these forecasts as pious hopes and wishful thinking.

Various Labor Uncertainties

The labor situation in the steel industry, still unsolved as this is written, is only one of numerous labor-management uncertainties that might create havoc with business activity in the months that lie ahead.

If no agreement is reached in the steel industry before the end of the 80-day cooling off period, and if the steel workers walk out again, we can write off the possibility of anything like a sustained business improvement during the traditionally dull early part of 1960.

In this connection, there is no way of knowing whether or not the steel workers, who were so hard hit by the strike this year, would follow the dictates of the union leaders again.

The *east coast dock strike may erupt again* just after Christmas, unless a settlement is reached in the meantime.

Another *potential menace to business lies in the railroad labor situation.* There has been considerable talk of the possibility of railroad strikes early next year. Such a development could well put the finishing touches on a serious business setback in 1960, as opposed to what seemed to be the outlook for a reasonably good year only a few months ago.

For that matter, there is no real assurance that the extremely long and costly steel strike this year, has not already laid the foundation for a business setback next year. We can only hope that it hasn't.

Congress, as a result of the lessons learned from

the 1959 steel strike, undoubtedly will give consideration to new labor legislation designed to prevent recurrence of long and crippling strikes. Since a national election is less than a year away, however, when so many Representatives and Senators will be seeking reelection, it may be asking too much to expect any statesmanlike action from Congress before 1961.

The Building Slump

High level and rising construction expenditures, it may be remembered, were among the factors that had been expected to provide impetus to business activity next year.

But, unfortunately, overall construction spending topped out last May, and has declined fairly sharply since then. During October, the value of new construction put in place on a constant dollar basis was slightly smaller than a year earlier.

Unquestionably, the scarcity of structural steel and uncertainty as to when sufficient steel will be available have been important factors in curtailing construction expenditures.

However, we could be less suspicious of the construction situation and be more hopeful of a quick rebound when, as, and if ample steel becomes available, were it not for the fact that the setback in construction spending on a seasonally adjusted basis began well before the steel strike was called and at a time when there were no shortages of structural steel and other steel items used in construction.

Home Building Plummets

Analysis of construction spending data indicates that declines in residential construction spending have been a major factor in the setback in total expenditures for new construction.

And, so far as anyone can see, the situation in residential construction is likely to become much worse before it shows any signs of becoming better.

New private housing starts plummeted from a seasonally adjusted annual rate of 1,434,000 last April to only 1,180,000 in October.

The October rate, it will be noted, was slightly below the annual total of approximately 1,200,000 starts that many housing authorities had been predicting for 1960. In connection with the sharp drop in October starts, *it also should be noted that Washington officials are reported as indicating that the shortage of steel was not a factor.*

During November, however, steel shortages did become a factor, and it is likely that residential construction will be plagued with inadequate supplies of numerous steel items for some months to come.

Since the start of a house or apartment building precedes by several months the peak of expenditures for such house or apartment building, it is apparent that residential construction spending and quite possibly total construction spending as well are virtually certain to continue to decline for the next few months at least.

Furthermore, requests for Federal financing of home building, which usually precede starts by several months, also have been declining.

What Will Congress Do?

Quite clearly, the impetus provided by Congress to home building in 1957 now has spent its force. The very sharp rise in residential construction, with new starts approaching an all-time peak last April, was a potent influence in checking the 1957-58 business recession and in speeding the subsequent business upturn.

Tight money now is taking its toll in residential construction. Although the average individual may encounter no difficulty in financing the purchase of a new car through a bank or other lending agency, he is finding it difficult to secure a mortgage on a proposed new home. In addition, the rise in interest rates has made home financing more costly.

Above and beyond all this, it is worth noting that new family formations, which usually precede the demand for housing, have been declining. The drop in new family formations reflects the drop in the birth rate during the great depression of the 1930s.

Congress traditionally is very touchy on the subject of home building. Already, the declines in new housing starts have touched off proposals for fresh

Manufacturers' New Orders, Backlogs and Sales of Durable Goods

(in billions)

	Nem Orders	Backlogs	Sales	Ratio of Backlogs to Sales
1957 Mar.	$13.9	$60.3	$14.2	4.2
June	13.2	57.2	14.2	4.0
Sept.	12.5	53.2	14.1	3.8
Dec.	11.4	48.1	13.1	3.7
1958 Mar.	11.5	45.1	11.7	3.9
June	12.2	43.7	12.1	3.6
Sept.	12.9	43.6	12.7	3.4
Dec.	13.7	44.0	13.6	3.2
1959 Mar.	15.3	47.2	14.4	3.3
June	16.1	47.0	15.8	3.0
Sept.	15.0	47.9	14.1	3.4

Federal assistance, including additional funds to Fanny May for the purchase of mortgages.

Nothing can be done until Congress convenes early next year, *but the word already is going around Washington that the President is likely to veto, as "inflationary," any bills proposing new large-scale purchases of home mortgages.*

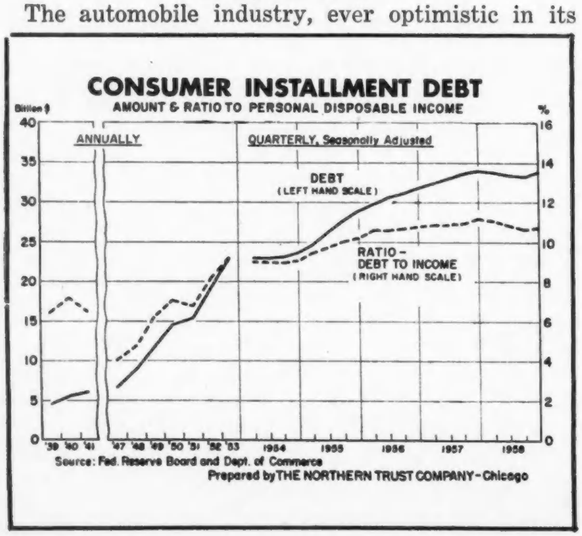
Construction costs hase risen completely out of bounds, largely as a result of various governmental stimuli to residential construction, and the rise in construction costs undoubtedly has been a decisive factor in lifting living costs generally.

Since 1947-49, construction costs have risen 43 percent as compared with a 19 percent rise in the wholesale price level and a rise of 17 percent in the average cost of commodities purchased by consumers!

This is the dilemma that Washington faces. Declines in residential construction invariably lead to recessions, or declines in general business activity. Yet, Federal assistance to residential construction, without which building is likely to fall off substantially further, is inflationary in nature.

A Big Car Year?

The automobile industry, ever optimistic in its professed outlook for new car sales, has been talking of a big car year in 1960.



The new compact cars have been selling like hot cakes, although production of these and of other models has been curtailed by shortages of steel.

Several months ago, the industry was predicting that total sales of new cars in 1960 would total approximately 7,000,000, of which 6,500,000 would be of domestic manufacture and 500,000 imported.

Now, as a result of inability to produce and sell as many cars this Fall as anticipated, the industry is estimating that some 300,000 deferred sales will develop in 1960, making the total for domestic cars for the year approximately 6,800,000.

There appears to be widespread acceptance of the automobile industry's estimates of 1960 new car sales, although we learned long ago to be highly skeptical of the industry estimates. If memory serves correctly, they have been wrong at least as often as they have been right, both in direction of trend and in degree.

Consumer Credit Cycle

The ability of the automobile industry to sell anywhere near as many new cars in 1960 as it anticipates is dependent to a great extent upon further sharp expansion of consumer instalment credit.

Will consumers, with a large part of their income already mortgaged against the large volume of instalment purchases made over the past year or so, be willing and able to increase their instalment indebtedness to any great extent?

If the cost of living were level or declining slightly rather than rising almost steadily month after month to new all-time highs, it might be possible to hazard the conclusion that consumers would be willing to mortgage a sufficiently large additional portion of their income to make 1960 a good automobile year.

The outstanding success of 1955 model cars, introduced in the Fall of 1954, was due in large measure to the fact that the rise in the cost of living had been checked for many months and to the resultant widespread belief that the long rise had been halted permanently. Consequently, those consumers who could buy new cars only through the use of instalment credit felt freer to mortgage future income for two to three years ahead.

Situations Dissimilar

This is one aspect of the current situation that differs greatly from the big car year of 1955. Has the automobile industry taken this into consideration in making its forecasts of new car sales in 1960?

Of more importance, undoubtedly, is the fact that consumer credit since about mid-1958 has been in an upward phase of its cycle. If the cycle follows its usual pattern, it is quite possible that the monthly increments to the outstanding volume of instalment credit will begin to decline in the months ahead. This would not be conducive to a good automobile year in 1960.

In the third quarter of this year, instalment credit repayments rose to approximately 13 percent of disposable income, about as high as they ever have risen relative to income. It should be remembered that this is where instalment buying pinches.

Consumers may be will- *(Please turn to page 322)*

★

Significance to Investors of . . .

Record Secondary Offerings -Sales by Insiders and Institutions

By ROBERT B. SHAW

— Evaluates the selling of company shares by insiders — and smart money

STOCK purchases and sales by corporate insiders during the summer—the most recent data so far available is for September—show no significant changes in their normal relationship and indicate a neutral attitude, or possibly mild optimism, on the part of executives best qualified to forecast corporate profits. An unusually heavy volume of secondary offerings so far this year suggests, however, a cautious outlook on the part of large stockholders. Since these two signs have contrary implications, it is worth taking the trouble to look a little more closely at their meanings.

Insider transactions are the purchases and sales of the shares of their own companies by officers, directors and "principal stockholders" owning beneficially more than 10% of any equity security. In the bad old days, as the New Dealers are fond of reminding us, insiders sometimes traded the stock of their own companies as vigorously as any tinhorn gambler can shuffle his cards in a Grade B Western. But however extensive such manipulation may have been, it was brought to an abrupt end by the Securities Exchange Act of 1934 which, among other measures, provided that transactions by insiders had to be published for all the world to see. These appear monthly in the SEC's "Official Summary of Transactions and Holdings." While the main effect of this disclosure requirement has certainly been to inhibit dealings in their own securities by insiders, the reports also provide some clues as to their outlook.

Previous articles in the Magazine of Wall Street, particularly the issue of November 22, 1958, have discussed the significance of insider transactions. In theory the balance of insider purchases against sales, reflecting as it does the money-backed decisions of men most closely "in the know," should be an ideal guide to future business trends, or at least to the outlook for individual companies. For this information shows accurately what is often whispered around irresponsibly as "valuable" tips. But in practice the record of insider transactions is of only limited usefulness in providing outside investors with buoys and markers. For one reason, they appear only tardily. Then, they may reflect a variety of motives other than pure investment policy on the part of the originators. Finally, the data is unorganized and it is difficult to compose any continuous index; results may also be frequently distorted by unusually large isolated transactions.

Nevertheless, insider transactions are the only completely objective indication available of insider opinions — even if those opinions still have to be surmised. Conspicuous trends either of buying or selling by corporate executives should not be disregarded, but at the least should be accepted as signals for further investigation.

STOCK TRANSACTIONS
by Officers, Directors and Principal Stockholders

One Hundred Largest Industrial Corporations

		Purchases	Sales	Dow-Jones Industrials *
1958	Mar.	13,150	110,220	453
	Apr.	17,160	78,391	448
	May	9,410	81,200	458
	June	3,750	80,010	477
	July	75,960	104,940	479
	Aug.	69,664	114,270	506
	Sept.	25,330	45,240	523
	Oct.	36,690	73,050	536
	Nov.	22,200	58,550	561
	Dec.	78,715	56,332	564
1959	Jan.	27,130	77,920	595
	Feb.	27,140	77,130	588
	Mar.	56,150	77,860	615
	Apr.	46,860	87,350	612
	May	27,740	82,820	636
	June	21,920	76,760	625
	July	36,200	102,960	661
	Aug.	52,820	56,520	659
	Sept.	14,800	32,160	631

NOTE: This chart excludes certain large liquidations that would produce distortions, including the sale of 30,000 shares of Ford in June and 18,600 shares in September, 1959, by Henry Ford II.
* Mid-month price.

Evaluating the Transactions

In order to translate the voluminous reports in the SEC's "Official Summary" into useful form, this magazine has created an index of 100 of the largest industrial companies. Stocks received as bonuses or by the exercise of options have been eliminated from purchases, as the timing of such acquisitions is not entirely discretionary. After this exclusion insider sales will normally exceed insider purchases, as concentrated holdings are constantly being reduced in the normal process of diversification and distribution.

Since insider transactions were last reported upon, through May, purchases dropped off considerably in June but recovered fully in July and for August reached a peak of 52,820 shares, the highest level since the preceding December. However, special circumstances pretty well cancel out any significance this peak might otherwise have been given. The July purchases include 13,000 shares of Olin Mathieson acquired by Mr. Walter O'Connell, financial vice president of that company. During August, Mr. Leonard McCollum, president of Continental Oil, bought 25,000 shares in his own company, while William Gamble, senior vice president of Corn Products, built up his holdings by 11,000 shares. Omission of these three items alone would reduce July purchases to 23,200 shares and August to barely 17,000 shares. *When these adjusted figures are taken in conjunction with the mere 14,800 shares purchased in September, a picture of definite decline in the trend of insider purchases is evident.* The latter figure, the smallest since June, 1958, may be partly due to delayed reporting, but since the present series of articles has been appearing returns of insider transactions to the SEC have generally been much more prompt.

Now to examine the opposite side of the scale. Insider sales in June held close to the average level that had prevailed for the year to date. In July they bulged upward. These were rather well distributed, although they do reflect heavy selling by several Ford officers as well as the unloading of 10,700 shares of IBM by one of its directors.

In August, however, sales turned conspicuously down, and September sales, the most recent reported, were at the lowest level since September, 1957.

Latest Evidence is Neutral

To the possible disappointment of readers searching for clear signals, it can only be concluded that the evidence produced by scanning insider transactions for this period is neutral. Both purchases and sales have exhibited a declining trend in the last two months for which the data is available, but have preserved their normal relationship. *The sharp drop in September purchases may later prove to be significant, but until confirmed by subsequent results cannot be given any heavy weight.* Thus, the data examined really provide little positive basis for investment action. If anything, the very lack of more definite signals can, on the basis of the old premise that "no news is good news", probably be construed as at least mildly favorable.

Secondary Offerings More Interesting

Besides whatever meaning insider transaction in the aggregate may have, the record of dealings in individual issues may be more illuminating. But before looking at particular transactions let's examine another index of generalized opinion—the schedule of secondary offerings.

A "secondary" is the offering in behalf of some party other than the issuing company of substantial blocks of stock by underwriting houses or syndicates. Such stocks may or may not be listed, but in either case the normal selling channels are temporarily by-passed. The usual reason for this type of operation is that the offerings are so large they would depress the stock too severely if the special

Recent Important Secondary Distributions

	Offering Date (1959)	Total No. of Shares Offered (Thous.)	Offering Price	Sold By	Recent Price	1959 Indicated Dividend (*)	Div. Yield
Aluminium, Ltd.	1/27[1]	559[1]	30½	Not disclosed	29	$ .50	1.7%
American Airlines	9/28	100	26⅜	Not disclosed	24	1.00	4.1
American Marietta	5/13[2]	111[2]	54¼	Not disclosed	38	1.00[7]	2.6
American Tel. & Tel.	4/23	330	85⅜	Not disclosed	77	3.30	4.2
Cerro de Pasco Corp.	1/21	226	47	American Smelting & Refining	40	1.00[7]	2.5
Ford Motor	3/31	2,000	56½	Ford Foundation	76	3.00	3.9
Ford Motor	—[3]	2,000[3]	N.A.	Ford Foundation			
General Motors	11/12	286	50¾	Not disclosed	51	2.00	3.9
Great Atlantic & Pac. Tea Co.	3/25	1,800	44½	Huntington Hartford and Marie Robertson	37	1.10	2.9
Hooker Chemical	3/11[4]	175[4]	42½	Not disclosed	40	1.00	2.5
Kaiser Industries Corp.	1/12	500	13⅛	Kaiser family & officers	15	—	—
Mc Graw Edison	1/15	122	39	Not Disclosed	40	1.40	3.5
National Gypsum	6/24	253	58	Former Stockholders of Huron Portland Cement	56	2.00[7]	3.5
N. Y. Chicago & St. Louis R.R.	3/2	629	31⅝	Lackawanna R.R.	31	2.00	6.4
Schering Corp.	5/6	129	62½	Revlon, Inc.	76	1.40	1.8
Sinclair Oil	6/9	116	59¾	Not disclosed	49	3.00	6.1
Standard Oil of N. J.	9/1[5]	435[5]	50¾	Not disclosed	46	2.25	4.8
Studebaker-Packard (when issued)	9/25	697	12¾	Metropolitan Life Ins. Co.	18	—	—
Union Bag-Camp Paper	8/18	327	44¾	Louis Calder Foundation	44	1.50	3.4
Union Tank Car	3/5[6]	114[6]	35⅜	Not disclosed	30	1.60	5.3
United Artists Corp.	9/3	100	29¼	Robert S. Benjamin, Arthur B. Krim and others	26	1.60	5.3
U. S. Steel	9/30	300	100½	Howard Gould Estate	96	3.00	3.1
West Virginia Pulp & Paper	2/5	115	43½	Not disclosed	54	1.20	2.2

*—Based on latest dividend rates.
N.A.—Not available.

1—Included 106,700 sh., offered 5/27 at 29¼.
2—Includes 50,000 sh. offered 6/22 at 56; 24,398 sh. offered 7/15 at 44; and 25,000 sh. 9/21 at 39¾.
3—11/10/59, Ford Foundation planning sale of 2 million additional shares.
4—Includes 75,000 sh. offered 10/28 at 41½.
5—Includes 310,000 sh. offered 9/24 at 49½.
6—Includes 52,000 sh. offered 6/16 at 33½.
7—Plus stock.

selling campaigns were not mobilized for the purpose.

The sellers who originate secondary offerings may often be founders or principal executives, diversifying their portfolios, and to that extent secondaries are closely comparable with, or sometimes even included within, the insider sales already discussed. But more typically, secondaries are initiated by parties whose connection with the companies concerned is indirect: estates or heirs, foundations, institutional holders and the like. It is not necessary to disclose the names of such sellers, and most of them prefer to keep thir anonymity, but the table of Recent Important Secondary Distributions accompanying this article shows the originators whose identity is known.

Most of the sellers in secondary offerings do not, therefore, come within the narrow definition of "insiders." And many of them, as individuals, may be entirely naive in financial matters. Nevertheless, their substantial holdings give them access to the best advice; indeed, the very organization of a secondary implies the reliance upon experienced underwriting houses. *Secondaries represent accordingly, selling of the most informed type. Particularly, it can be taken for granted that they are timed carefully.*

Secondary Offerings Very High This Year

An unusually heavy volume of secondaries has gladdened the hearts of dealers this year. Already 109 distributions of New York Stock Exchange—listed stocks have been carried out, while the addition of Curb and unlisted stocks would create a table much too lengthy to reproduce here. Data for the volume of secondaries in previous years are not readily available, but this year's offerings already exceed the total of 106 for 1958 and are apparently far above the figures for any earlier years.

Again, as in the case of the insider transactions, secondaries may be influenced by many motives other than pure market judgment. Some of these can be pretty accurately inferred. ►Thus, American Smelting presumably disposed of its former 16% interest in Cerro de Pasco because of its larger (58%) interest in Southern Peru Copper now being developed in the same area. ►The Lackawanna Railroad was obliged to sacrifice its valuable Nickel Plate holdings by sheer financial distress. ►In selling 1,800,000 shares of A.&P. and simultaneously revolutionizing the organization of that pioneer food chain, two heirs of the founder were undoubtedly acting primarily to diversify their own concentrated holdings. ►Revlon's unloading of over half of its

Schering stock apparently marked the abandonment of its campaign to gain control of the ethical drug producer; Revlon had also meanwhile moved off in another direction by the purchase of a substantial interest in Schick. ►Metropolitan Life's Studebaker-Packard offering was a somewhat complicated arrangement for the sale of convertible preferred which thereupon became when-issued common; the insurance company's holding originated from the settlement of a debt by the automobile manufacturer to a group of its creditors. ►The most famous—and exciting—secondary of all time was certainly the Ford Foundation's initial offering of Ford Motor stock, and the foundation's process of divestment has been extended by an offering of a further two million shares in March of this year and another of equal size to take place in the near future.

The Meaning is Clear

But notwithstanding all of these very genuine reasons for making such concentrated offerings, the fact remains that they must reflect a particularly well informed opinion that the prices received were generous, or at least that risks would have been increased considerably by waiting for still higher prices. Of course, these sellers—or, more precisely, the expert bankers and underwriters who have advised them—can be considered no more infallible than any other group of market observers. *Moreover, the heavy volume of recent secondaries is unlikely to reflect any clear composite view, but only a weighing of probabilities and a desire for investment comfort through diversification.*

Thus the secondaries, like the insider transactions, provide no clear signals, but upon analysis *do reflect opinions that should be respected. At present they are clearly suggesting that the present level of the market should be regarded with some skepticism.*

The Individual Situations on Insider Transactions

Let's return now for a look at recent insider transactions in some individual stocks.

●**Ford Motors** has been sold steadily for many months now by its own officers; specifically, there have been sales of 38,540 shares in May, 14,300 in June, 14,000 in July, 15,400 in August and 3,000 in September all of which were exclusive of 48,600 shares sold by Henry Ford II. These sales have been substantial even in terms of a company as large as Ford. They pose the question to the outside investor as to whether these executives were merely following the example of the Ford Foundation in diversifying their personal holdings or foresee several years of difficulty for the domestic automobile industry.

●The record for **General Motors** provides a limited confirmation of the second supposition, as insider sales were also heavy during the early months of the year (very large sales by Alfred P. Sloan, Jr., in April have been omitted from the graph as a distortion), but these eased off during the summer.

●**Chrysler** has shown several substantial insider purchases in recent months, with the selling side entirely blank. ●The officers of **American Motors,** although not President Romney, have evidenced some tendency to reduce their holdings—an action that should perhaps be regarded only as the equivalent of collecting bets. The automotive selling trend has also extended to **Goodrich** and **Goodyear.**

●**Olin Mathieson** was the target of heavy insider sales for many months, through June of the present year. Since then, however, this trend reversed itself, with no further sales and small purchases by several officers, in addition to the July acquisition of 13,000 shares by Mr. O'Connell, noted above. Prior to this purchase, incidentally, Mr. O'Connell had owned no stock in his company. This turn-around could be an encouraging sign of the end of the indigestion which Olin suffered from its rapid series of mergers a few years back.

●The disfavor of the aviation stocks, particularly **General Dynamics, Curtiss-Wright, Douglas Aircraft** and **United Aircraft,** with their own executives was mentioned in the previous article. No signs of reversal have appeared here. ●On the contrary, 3500 shares of General Dynamics were sold in July and 2210 in September, 5300 shares of Douglas in September and 3200 shares of United in August.

●**North American Aviation,** which was immune from the insider sales earlier in the year, has been heavily hit in the July to September period; this action is at variance with the favorable 1959 fiscal year results just reported and President Kindelberger's optimistic expectations for next year. The sales noted for the several companies would seem to say, as clearly as anything could, however, that recovery for this industry is not just around the corner.

●**Sperry Rand** also suffered a heavy pressure of insider selling for nearly two years. This has dried up since May, but has not yet been replaced by a contrary buying trend.

►The slings and arrows which the petroleum industry has been forced to endure might have been anticipated by a clear although not a heavy preponderance of insider sales a year ago. The same trend of spotty sales with very few offsetting purchases has continued in the internationals up to the present, indicating no hope of early radical improvement. ►The domestics, however, have been less affected, and during August, **Sunray-Midcontinent** Chairman William Whaley doubled his holdings with the purchase of an additional 5250 shares. The insider purchase of 25,000 shares of **Continental Oil** has already been noted.

●**United States Steel** and **Jones & Laughlin** but not Bethlehem, Armco, Inland or Republic, were heavily sold by their officers all of the present year. These executives were certainly correct if they anticipated an extended steel strike but wrong if they thought it would depress their stocks.

●The aluminums, **Aluminum Co., Kaiser** and **Reynolds,** have all shown recent selling trends, not excessively heavy but without any signs of reversal.

●**American Radiator,** on the other hand, has found favor in the eyes of its officers, as have also **Continental Can, Corn Products** and **General Foods.**

In Conclusion

If the guideposts represented by the schedules of insider buying and selling are often vague, it must be remembered that the essential purpose of these summaries is not to assist outside investors, but rather to prevent abuses *(Please turn to page 324)*

Important Decisions Pending

On Piping CANADIAN NATURAL GAS to UNITED STATES MARKETS

—After turn of the year

By W. E. GREENING

► **Natural gas pipe line situation in Canada and the United States from a continental standpoint.**
► **Political and economic factors operative on both sides.**
► **United States and Canadian companies involved.**

AS is well known, the Western Canadian provinces of Saskatchewan, Alberta and British Columbia contain within their boundaries some of the largest untapped natural gas reserves in the whole of North America. As a result of the large scale exploration and drilling programs which have been under way in this region of the continent during the past decade, a belt of natural gas fields has been discovered which extends from the mountainous wilderness of Northern British Columbia, eastwards and southwards across the Prairie provinces of Alberta and Saskatchewan. The rapid change in the picture here is shown by the fact that the estimates of the total gas reserves of Western Canada climbed from about five trillion cubic feet in 1950, to about twenty trillion cubic feet in 1958 and new discoveries of gas reserves are being made in this region of Canada at the rate of more than a trillion cubic feet a year. The most important of these recent finds have been made in the Peace River area of British Columbia and in the district of that province far to the north on the remote boundary of the territory of the Yukon.

Total natural gas production in Western Canada for the year 1958 was estimated at four hundred billion feet as against 280 billion feet in 1956. In its brief to the Borden Royal Commission which was appointed by the Canadian Government in 1957 to make a survey of Canada's national energy reserves, the Canadian Petroleum Association suggested that as much as three trillion cubic feet of natural gas may be discovered in Western Canada during the next few years. The Gordon Royal Commission which was appointed several years ago to make a survey of Canada's economic prospects, in a report which was issued in 1958, estimated that Canada's natural gas reserves would total as much as 120 trillion cubic feet by the year 1970 if exploration

Canadian Naturual Gas Supply and Demand Projection

(in billions of cubic feet)

Year	Market Demand Total Canada	Market Demand Cumulative Canada	Reserves Before Provision for Export; Year-end Disposable Reserves (1)	Reserves Before Provision for Export; Year-End Disposable Reserves (2)
1958	234.0	234.0	23,766	23,766
1963	558.0	2,512.6	31,487	31,487
1968	776.3	5,920.2	38,080	38,080
1973	1,009.8	10,513.4	40,486	43,486
1978	1,245.1	16,249.8	39,750	47,750
1983	1,494.4	23,226.5	37,774	50,774
1987	1,717.0	29,764.2	35,236	52,236

(1)—Based on the assumption of an average annual gas rate discovery of 2 trillion cubic feet to 1970, followed by discovery rate of 1 trillion cubic feet a year.
(2)—Based on the assumption of discovery of 2 trillion cubic feet a year until 1987.
*—Reserves are for the end of each year after deduction of estimated production.

activities in the Western Provinces continued at their present tempo.

Because of the geographical location of this region of Western Canada and its distance from the large centers of population and industry in North America, the finding of suitable markets has been the chief problem in connection with the opening up and the exploitation of these reserves. Now the most promising markets for much of this Western natural gas lie not in Canada at all but across the international boundary in the neighboring Pacific Coast states where the growth of the demand for this fuel has been very rapid during the past few years. Indeed, one of the first important outlets for Canadian gas was the construction by the Westcoast Transmission Company of a pipe line from the fields in Northern British Columbia southward, to serve markets in the Vancouver area on the Pacific coast. Then an extension of this line across the international boundary brought Canadian gas to consumers in Washington and Oregon.

Reserves Developed for Canadian National Purposes

But as we have said, the pace of these natural gas discoveries in Western Canada has been so fast that the question of finding markets has become ever more pressing and urgent. There have been two schools of thought in Canada about this whole question. One group has maintained that natural gas production and marketing should be organized on a continental basis and that there should be an exchange of gas reserves between Canada and the United States without regard for political boundaries. In this case, the bulk of the Western Canadian gas would be piped southwards across the boundary to markets in the Western United States while the provinces of Ontario and Quebec, where the bulk of the population and the industry of Canada are located, would receive their gas from fields in the Atlantic Gulf Coast States to the south. But the Canadian Liberal Administration which was in power in Ottawa in 1956 when this question began to become acute, believed that these natural gas reserves should be developed on a national scale and for Canadian national purposes and that it should be piped eastwards from Alberta to serve markets in Southern Ontario and Quebec. After a prolonged political battle in Canadian Parliament in Ottawa over this question in 1956, the Liberal Administration there succeeded in putting a bill through the House of Commons and the Senate by which Federal financial aid was given to the Trans Canada Pipe Line Company for the building of a line from the Alberta gas fields eastwards across the Prairie Provinces and around the north shore of Lake Superior to serve markets in the region of Toronto and Montreal. This pipe line, one of the longest in the world, was completed last year and today the residents of this region of Canada are beginning to get the bulk of their gas from the Western Provinces, but already it is becoming apparent that these markets are far from absorbing all the potential production of the Western Canadian gas wells and the quest for new markets has by no means ended.

In the meantime, there have been further developments in the political field in Canada with regard to the regulation of the marketing of natural gas. In 1957, the Canadian Government appointed the Borden Commission to which we have already made reference and one of whose aims was to conduct a thorough probe into the gas situation in Western Canada, especially with regard to marketing problems. This Commission issued a report in the fall of 1958 in which it recommended the creation by the Canadian Government of a National Energy Commission which would have extensive controls over the movement of gas from one Canadian province to another and also over the export and import of natural gas to and from the United States. This report took a favorable attitude towards the proposals for the increase of the export of Western Canadian natural gas into the Pacific Coast region of the United States. It also stated the estimated reserves thus far discovered in this region of Canada were quite sufficient to provide for all foreseeable Canadian needs during the next two or three decades and at the same time provide a substantial surplus for export to the United States.

The New National Energy Board

In accordance with the recommendations of this report, the Progressive Conservative Administration of John Diefenbaker which succeeded the Liberals in office at Ottawa in 1957, put a bill through the Canadian Parliament which provided for the creation of a National Energy Board. This Board has been given extensive powers over the operations of the natural gas industry in Canada. According to the terms of the Act, the Board shall have the power to grant licenses for the transport of natural gas by pipe line from one Canadian province to another and across the international boundary into the United States. In considering applications for pipeline projects, the Board shall see that the quantities of gas to be exported to the United States do not exceed the supplies remaining in Canada after due allowance has been made for the foreseeable Canadian requirements and with regard for the future trends of gas discoveries. Also, the Board shall set a price for the transport of this gas which will be reasonable and fair to the producer, the pipe line company and the consumer. The Board, which has just been set up by the Canadian Government, has not made public the manner in which it intends to apply these principles as far as the marketing of Western Canadian gas is concerned. But one can see the importance of this feature of the legislation with respect to the future marketing of Canadian gas, since the successful op-

eration of the pipe line companies depends upon their ability to set high enough rates to make profits possible.

Proposed Plan to Serve U.S.A.

In the meantime, several new schemes during the past year have been brought forward for the piping of natural gas from the Western Canadian fields into the United States. **The Alberta Southern Gas Company** in cooperation with **Pacific Gas Transmission Company** in the United States, wants to build a line from the Southern Alberta fields through the Crows Nest Pass in the Rockies and across the international boundary to serve markets in California, chiefly in the region around San Francisco. At the same time, the **West Coast Transmission Company** wants to extend its lines across the boundary in the same region to markets in the Spokane area in the eastern part of the state of Washington. **Trans Canada Pipe Lines** which operates the line between the Alberta fields and Ontario and Quebec, aims to build a branch line across the international boundary at Emerson, Manitoba, in cooperation with the **Midwest Gas Company** to reach markets in the adjacent Middle Western States including Minnesota and Wisconsin. **The Northern Natural Gas Company** of Omaha has long been pushing a scheme for the building of a pipe line from the Alberta fields eastwards across the international boundary to a region around Minneapolis.

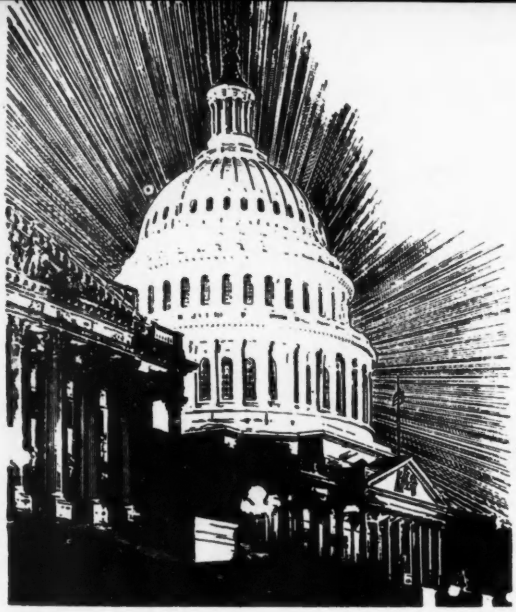
Both the Alberta Southern and the West Coast Transmission Company projects were approved by the Alberta Government last spring but they still have to receive the sanction of the Federal Power Commission in Washington and the new National Energy Control Board in Ottawa. The application of the Trans Canada Pipe Line Company and the Midwest Pipe Line Company had long been pending before the Federal Power Commission. For a while, this project was combatted vigorously by the rival **Michigan-Wisconsin Pipe Line Company** but today this opposition has disappeared because of the decision of the latter company to buy large quantities of Alberta gas from the Trans Canada Pipe Line Company if the project goes through. In its application to the Federal Power Commission in connection with this scheme, the Trans Canada Pipe Line Company emphasized the fact that its present reserves are sufficient to supply the needs of Ontario and Quebec, with a large surplus left for export to the United States. Although the approval of the Federal Power Commission came through the other day— it must await the sanction of the Government of Manitoba and the National Energy Board for official go-ahead. The Northern Natural Gas Company plan has not yet received the approval of the Alberta Government.

Important Decisions Expected in Early 1960

Thus far the policies of the new Canadian National Energy Control Board with regard to the question of the export of Western Canadian natural gas to the American markets are not known. The Board is only scheduled to begin its hearings at the end of the year and it is not likely that it will be able to give consideration to these various applications until February 1960 at the earliest. But, as it is easy to see, the decisions of this Board in connection with the applications of these pipe line companies, the Trans Canada, the Alberta Southern, etc., are going to be of very great importance as an indication of its future long range policies with regard to this very vital question.

But, in the meantime, a good case can certainly be made out for the large scale export of gas from the Alberta and the British Columbia fields to the Pacific Coast region of the United States. These fields are located much closer to the Pacific Northwest States than the other available reserves in this region of the continent which are situated in Southern California and in Northern New Mexico. And in California the growth of natural gas reserves in recent years has failed to keep pace with the spectacular growth of industry and population there. Few gas fields have been brought into production in that region since the end of the Second World War and the state has become an importer of natural gas as well as oil. Thus the large urban areas in the vicinity of San Francisco and Los Angeles are both promising potential markets for Western Canadian gas. In the case of California, a good deal depends upon the cost of transporting gas there from Alberta as against the costs of transport from the fields in New Mexico and Texas to the East. And, as we have said, there is also a potential market for Alberta gas in the American Middle Western States such as Minnesota, Iowa and Wisconsin.

But as we have tried to point out, there are still a good many problematical points in connection with this whole question. Before any new pipe lines can be built in either direction across the international boundary, the permission *(Please turn to page 326)*



Inside Washington

By "VERITAS"

POLITICOS of both major parties find no comfort — or discomfort — in recent state and municipal elections. National trends were not visible, subordinated to local issues and personalities. It is possible, however, the Democrats may take some encouragement from the 1959 results in Connecticut, Pennsylvania, Indiana and Kentucky. Democratic gains in Massachusetts, New Jersey, New York and Ohio were to some extent offset by Republican victories or intra-party, factional fights. Organized labor, as represented by the AFL-CIO's Committee on Political Education (COPE), has expressed concern over the victory of Bracken Lee for mayor of Salt Lake City. Lee, a former governor of Utah, is labeled reactionary because he is opposed to the graduated income tax and has declared Social Security a fraud. Labor's apparent concern is that Lee may be on his way to office in Congress.

WASHINGTON SEES:

Public and Congressional support for an Undersecretary of State for Western Hemisphere Affairs is growing. Heretofore cool to the idea, President Eisenhower is reliably reported to be in favor — may send special message up to Capital Hill early in January recommending creation of the new post.

We are making enemies through neglect in Latin America, both in dealing with economic problem and in selection of our diplomatic personnel sent there. Unrest among our neighbors to the South is growing at a pace that informed experts describe as "terrifying." And, they add, relations between this country and several hemisphere countries have fallen to the lowest ebb in our history, pushed by communist interests.

Presently, we are taking no effective steps to check the worsening situation, a condition which demands decisive action. Creation of the new Sub-Cabinet position could bring about more careful selection of able and informed experts — diplomatic personnel chosen for expert knowledge rather than partisan loyalties.

Presumably, the new Undersecretary will handle U. S. relations with Canada, not too good at present, but not in the deplorable state existing to the South. There is room for improvement in our dealings with our Nothern neighbor, now showing growing discontent with some of the trade barriers we have erected.

RUSSIAN industrial production is greater than we generally realize. They can really overtake us in 10 years, according to top experts here, who slightly modify their pessimistic views with the proviso that the Reds manage to double their steel output within seven years, and hydro-electric output within a decade. Meanwhile they see Khrushchev's recent sabre rattling on mass production of nuclear weapons and long-range missiles as a cleverly designed move to keep our own industrial plant in heavy production for defense, hence braking our own industrial gains, now about 2.5 percent annually. Mr. K's bid for more trade with U. S. is directed toward consumer items rather than heavy duty machinery capable of arms production. The U. S. exhibit in Moscow has created a demand Russia is not able to supply. Barter arrangements are not in the making, but Russia is believed to have unrevealed gold stocks for cash purchases — a strong lure at a time when we are steadily losing gold.

TAX overhaul is definitely in the making as hard-working ways and Means Committee draws near end of exhaustive "round table" discussions of entire Federal internal revenue structure. More than 200 economists and experts in 32 fields of Federal (and State) fiscal affairs will have participated, working from a nearly 2400-page "compendium" of varying views, statistics. Chairman Wilbur D. Mills (D., Ark.) has declared it the intention of himself and the Committee to broaden the tax base without adding to corporate or individual burdens. He strongly favors incentives, not deterrents, to industry and the individual alike; thinks the graduated income tax should be revised downward, that realistic depreciation allowances should replace arbitrary standards set by Internal Revenue.

As We Go To Press

Soft-Pedal the civil rights issue. This is the word quietly passed by the high commands of both political parties. It is all right to talk about it during pre-primary "hassles," but avoid or evade any real action on the floor of House or Senate during coming session. By "real action" is meant stiffening amendments which may be offered to the milder measure Senate Floor leadership has agreed will be brought up about mid-February. Both Parties wish to avoid anything that could delay adjournment beyond national convention time. Democrats, not too sure of a 1960 White House victory, fear a southern bolt could too widely split the Solid South, throw the Presidential selection into the House of Representatives. This is something the GOP would also like to avoid.

Farm vote, long a deterrent to sane legislation in certain areas, faces deflation. And this is good, according to seasoned Washington observers, both in legislative and administrative branches. Seventeenth Census of Agriculture, now under way, is operating under new rules; new classifications of farms and farm population. Number of properties now classified as farms may drop as much as 500,000. Mergers of small farms into larger ones will bring additional shrinkage of around 100,000. Briefly, three acres of producing soil will no longer be a "farm." Ten acres is the new minimum. Significance is still speculative, but farm "population" will be reduced by around 4 million. This truer perspective is certain to proportionately reduce the over-magnified influence of the so-called farm vote — seems certain to stiffen Congressional resistance to farm bloc pressures for more Federal spending, crop subsidies. Could lead to total elimination of surplus crop buying; not this year, but maybe by 1965.

Business is taking a leaf from Labor's book — maybe a whole chapter. AFL-CIO has its Committee on Political Education (COPE) to supplement the work of its own lobbyists. COPE works at grass-roots (rank-and-file) levels, from the precinct upward; has been highly effective, even though it failed to defeat Landrum-Griffin labor reform measure. Big business will establish its own COPE's, but not under that name. One major corporation has already set up its division of political affairs to maintain liaison with its own workers and the voters in the communities where it operates. Other companies have such organizations in well-advanced planning stages. Theme, generally, will be "what's good for employees of XYZ company will be equally good for their neighbors, their communities." Work will be carried out through terse, 4-word "newsletters," organization of employee committees on political affairs. Experienced speakers and propagandists will be supplied; even door-bell-ringing will be indulged in. Less reliance will be placed in now-established lobbies, already handicapped with labels of reactionaryism.

Sarcastically, Washington personalities are beginning to refer to the cranberry-cancer scare as Department of Health, Education, and Welfare's "rhubarb." Evidence begins to shape up that the "scare" was exaggerated; that danger of infection of humans from aminotriazole-sprayed berries does not exist. Not likely that HEW will clear "contaminated" crops for sale in near future, but feeling in Capital circles is they will be cleared before Congress can get around to appropriating several millions to reimburse growers and canners for losses stemming from the "rhubarb."

Labor Department, as well as National Labor Relations Board, have moved swiftly to stem unfair picketing, secondary boycotts and "hot cargo" abuses as defined in the new labor law. Labor Department is publishing almost-hourly bulletins, increased its enforcement staff, is trying to educate the employer on his rights. Meanwhile, NLRB has decentralized many of its procedures — moved them from the Washington level to Regional offices. This is expected to

resolve in days, picketing and organizational disputes formerly taking a year or longer.

Elsewhere on the labor front, threats of teamster boss Hoffa to eliminate those Congressmen who supported new labor law and were elected by a margin of five percent or less are heavily discounted. Pointed up is fact that Hoffa may be "out of the picture" before campaign time. Also, he is having legal troubles which preclude real attention to a concerted political drive. But don't entirely write him off as a continuing menace. Despite McClellan Committee revelations and exposures by Court-appointed monitors, Hoffa continues to enjoy the almost unanimous support of his 1.6 million rank-and-filers.

Steel union's rejection of last offer was to be expected. It is too soon to accept any offer from the companies. Acceptance now would give membership idea that leadership is in retreat, fearful of Congressional action. There will be more jockeying by both sides, more offers by each. The whole procedure needs "window dressing" to give appearance of sincere efforts to resolve the dispute before the Jan. 25 expiration of the 80-day Taft-Hartley injunction. Work rules seem to be insurmountable at the moment. Best thing in sight is union acceptance of latest wage offer with work rules submitted for binding arbitration. This last, arbitration of work rules has tacit, but not presently overt, support of AFL-CIO leaders outside the USW set-up. Steel is so basic to all industry and labor, that other unions can suffer as much as the steel workers if strike is resumed.

Canadian "gripes" against United States are mounting. They want to sell more here, and would like to see sales go up in greater annual ratio than Russia's industrial advances over coming 10 years. Russian progress can seriously damage Canadian exports to free Europe; ergo, Canada must find greater outlets here. Canada sees a Red threat to her European markets for wheat, steel, aluminum, to name a few. In the meanwhile, Russia pushes her hydro-electric development at a rapid pace. The Russian 4.5 million kilowatt hydro-dam and installation at Bratsk in Siberia will be the largest in the world when it goes into production in 1961. Reds can build such projects faster than can U. S. engineers; have perfected techniques which permit them to work with concrete at 60 below temperatures. Also on Russian engineering credit side is prefabrication of concrete blocks, a method which permits speedier, less costly construction. The blocks eliminate extended cooling periods for the heat given off by the cement as it dries. It makes for a stronger dam, one which does not pass water through the structure during the 20-year cooling off process.

Castro-inspired is the Washington term for Cuban organized labor's withdrawal from the Inter-American Regional Organization of Workers, a branch of the International Confederation of Free Trade Unions. As yet, Cubans have not tied in with the Red-dominated World Federation of Trade Unions, but that move may be next; is next, according to belief in some Washington circles. It has the appearance of one piece in a jig saw pattern of increased harassment of this country. Of significance, was the Cuban labor group's diplomatic relations with the U. S., Panama and other Latin-American countries. Castro's denunciation of the labor gathering as something unworthy of Cuba's working class should be taken with more than "a grain of salt". The next week should tell.

General Accounting Office's charges of basic shortcomings in our aid program for India, and that country's ineffective use of certain aid goods adds one more problem to the President's agenda when he talks to Prime Minister Nehru next month. GAO's charges, possibly leaked to Nehru before publication here, may have prompted his declaration that India must manufacture its own arms. He may have interpreted the GAO report – as well as growing popular dissatisfaction here – to presage sharp curtailment of U. S. aid, economic and military. In the meantime, several Congressional groups are back from other Eastern areas, prepared to give a not pretty picture of the whole foreign aid program.

Confidence in DE GAULLE-ADENAUER LEADERSHIP Strengthens Hope for Common Market Tariff Liberalization

By THOMAS J. FOLEY

- **Goal of economic and political integration moves toward realization in Western Europe.**
- **What effect on the American exporter and investor, of the unexpectedly rapid progress of the European Common Market scheme?**
- **Will the new "Outer-7 Arrangement" pose the possibility of any new discrimination against American products?**
- **What chance of increased export trade for high-priced U.S. goods . . . effect on domestic markets of European products manufactured abroad in American operated plants?**
- **Mounting competition for U.S. manufacturers abroad from newly modernized European-owned plants hitherto at a disadvantage through lack of automation equipment**

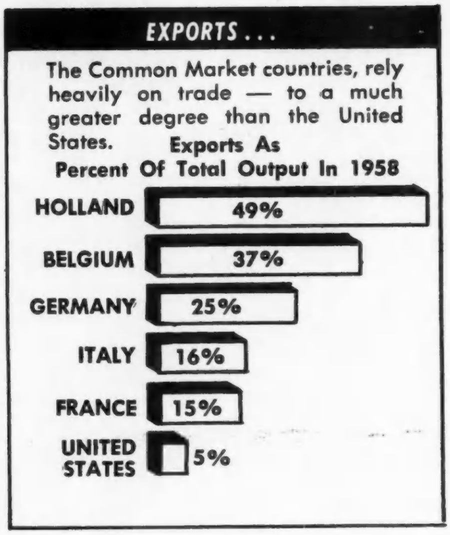
THE European Common Market—monster or miracle! Whichever it is, it's moving;—and moving at a pace that has set trade analysts the world over back on their heels wondering whether it can last, who's going to get hurt, what it means. One high expert in Washington said the six-nation economic community has wrought a virtual psychological revolution on the European businessman's approach on how to do business. No longer is he hoarding his profits and fretting about competition. He's investing and expanding and looking for new markets.

The big boom in Western Europe's economy that has coincided with the first stage of the Common Market operations has the area's industrial and financial men believing there may be no end and that Western Europe is on its way to a position in world commerce unmatched since the 17th century when their traders were the richest on the globe.

And indeed, there is great reason for optimism—at least for Europe's businessmen. France, West Germany, Italy, the Netherlands, Belgium and Luxembourg—the six members of the Common Market—are enjoying the greatest degree of prosperity in recent history. More is being produced, more is being consumed, more is being sold in the area and more is being sold out of the area than in generations and a larger number of people are sharing in the prosperity. The governments are stable. Europe's businessmen are no longer looking abroad for loans. They're looking for borrowers. Expansion and investment are the rule. The word is dynamism.

Some of the Common Market's most ardent boosters hint the new plan is responsible for the boom. This doesn't appear to be so. The economic recovery was well under way before the first internal tariff reductions went into effect last January 1. However, sound

arguments can be made for stating that the lower tariffs and common goals have fed the boom and kept it going at top momentum in recent months. Many trade analysts turn the argument around. They say the trade plan is meeting with success because of the business boom. Had there been no upturn in the economy, they say, the common market wouldn't have been so successful.

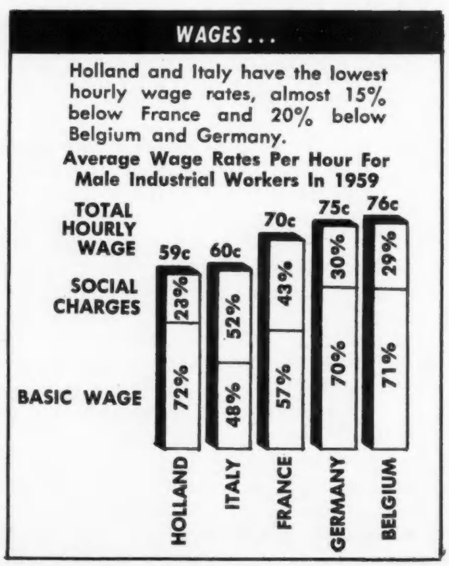


But successful it is—so successful, in fact, that its planners are seriously thinking of scrapping the 15-year transition period toward free trade and doing the job in eight years. So successful, in fact, that Great Britain and six other Western European nations—dubbed the Outer Seven —have hurriedly developed a trade plan of their own to guard themselves against loss of markets and to leave the way open for an eventual European-wide free trade community. It's so successful that U.S. policy-makers are being forced to reappraise the nation's position in the world's financial and economic picture. The United States is spending more dollars abroad than it is getting back, and at such a fast rate that all aspects of its foreign policy must be studied—military and economic aid and foreign investment as well as trade.

What are the two plans? What is their effect on the world power struggle? What's in it—or out of it—for American businessmen? What are the problems which lie ahead?

Briefly, the Common Market is another step in the grand plan for European integration drawn up by Jean Monnet. *He and other European thinkers saw that their continent had been torn apart three times in a little more than three generations by wars between France and Germany. Another such conflict could mean the end of their civilization.*

Therefore, they reasoned, eliminate the causes of wars between France and Germany, and there would be a chance for peace. The **first big step** was the European Coal and Steel Community, which went into effect in 1951 and which has proved highly successful. During its first seven years of existence, thanks to modernization and cooperation, steel output rose nearly 50 per cent, and trade in steel products doubled.



The next step was the removal of trade barriers between the six nations. This, according to the original schedule, was to take place in three stages of from four to six years each, beginning this past January 1. The next step in the first stage calls for a second ten per cent cut in tariffs next July 1 and another 20 per cent increase in quotas on January 1. However, the French have already proposed making the tariff cut 20 per cent on July 1.

The concomitant part of the treaty, calling for a common external tariff on imports into the six-nation area, has some trade policy-makers quivering.

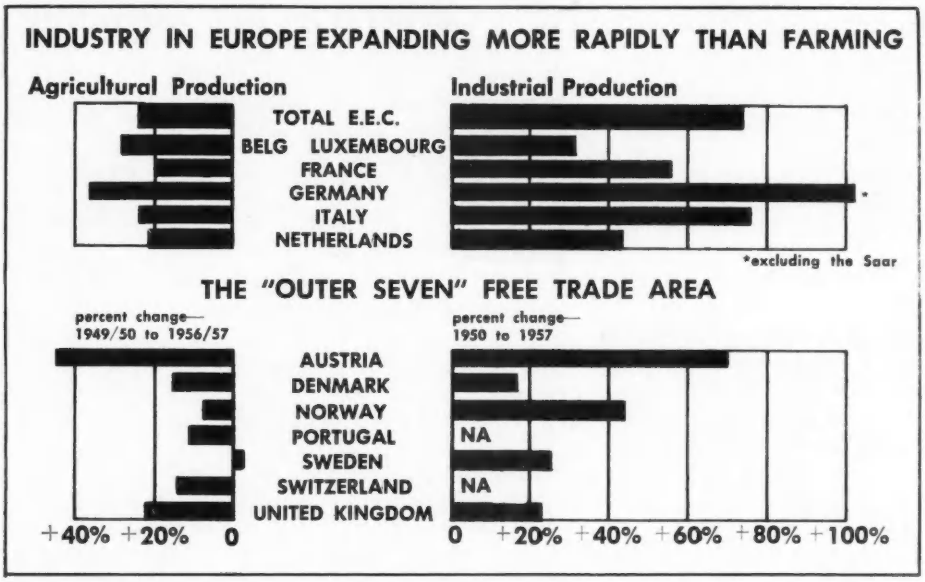
The European six say this is nonsense. ► In the first place, they say, they are committed to a liberal trade policy. ► Secondly, they are living up to it by extending the 10 per cent internal tariff cut last January 1 to all members of the General Agreement on Tariffs and Trade (GATT). Leaders have proposed doing the same for the next cut on July 1. ► Thirdly, the common external tariff doesn't begin to go into effect until January 1, 1962, two years away. ► Fourthly, the mushrooming of Western Europe's economy is creating a buying power that will leave plenty of room for traders of all countries.

What Has Taken Place

During the first six months of 1959, the six nations' trade among themselves rose almost ten per cent. Even more significantly, their imports from the Outer Seven have gone up the same amount while their exports to the other bloc rose 4.5 per cent. This higher rate of imports from the Outer Seven is closing the gap between the Common Market's higher export level and lower import total with the rival group. The six say this is proof that fears of outsiders are groundless.

The Outer Seven, however, decided to take no chances. When negotiations broke down last December for a European-wide free trade area, the seven decided they needed their own plan for their own protection. The seven are Great Britain, Denmark, Norway, Sweden, Austria, Switzerland and Portugal. The economies of many depend on trade with the six. For instance, 35 per cent of Sweden's exports go to the Common Market. In Switzerland, the figure is 40 per cent and in Austria, 50 per cent. America's exports to the Common Market are now about 18 per cent of total U. S. export shipments.

The first step of the Outer Seven ten-year plan for reach-



ing free trade among themselves goes into effect next July 1. *The principal difference between the two blocs from an economic point of view is that the Outer Seven are free to maintain separate trade relations with outside nations. In other words, there will be no common external tariff.*

But the essential difference between the two is political. The common market has a goal—admittedly in the somewhat obscure future—of partial political integration. The six believe economic unity is a necessary foundation. They are willing to give up part of their sovereignty to achieve this goal. The others, principally Great Britain, are not. *They are willing, indeed anxious, to move toward free trade but not with the political strings.*

The New Leadership in Europe

And it is this, together with two old but tough men, that has brought about a shift in the balancee of power, not only in the West but, many argue, in the world. Charles de Gaulle and Konrad Adenauer, working hand in glove, have brought France and Germany and the rest of the Common Market area into a position of leadership in the western alliance. The new "European Power" can almost be said to rival the Big Two. A dramatic and also significant example is the simple question of when to hold an East-West summit conference. President Eisenhower, Premier Nikita Khrushchev and Prime Minister Harold Macmillan wanted it in December. De Gaulle and Adenauer wanted it in the spring. It will be held in the spring—if at all. By an adroit mixture of stubborness and astute political timing, de Gaulle has become the key figure in shaping western policy. In his moves, he has the tacit and sometimes open support of Adenauer.

Sensing, or at least fearing, a willingness on the part of the United States and Great Britain to give ground on the question of the status of West Berlin and German re-unification if the summit were held in 1959, the two wily old men have sought to put off the East-West meeting and to shift the focus to other problems. There is little question in any political observer's mind that Adenauer would rather keep the status quo of a divided Germany for a good long time, than to unite with Communist East Germany under any but a completely free basis. This, of course, is impossible. But since Adenauer cannot publicly come out in favor of maintaing two Germany's, de Gaulle has taken the initiative on this score for the two countries.

Ironically, the emergence of de Gaulle in 1958 sent chills down the backs of the Common Market leaders. It was feared he would re-shape French foreign economic policy on more, rather than less, of a nationalistic basis. This could have ruined the plan even before it got started. Now, these same people are wondering whether the six-nation experiment would have survived without de Gaulle.

The sweeping powers he gave Finance Minister Antoine Pinay to rid France of its monumental and perennial inflationary problem saved the country from economic disaster. Only the tough hard-nosed policies that de Gaulle and Pinay forced upon France, put her in shape to become an effective partner in the six-nation plan.

RATE OF GROWTH

Germany has the fastest growth rate among the Common Market countries, followed by France and Italy.

	G.N.P. (constant dollars) 1948-58	G.N.P. (constant dollars) 1957-58	Industrial Production 1948-58	Industrial Production 1957-58
Germany	+8.4	+2.8	+13.5	+3.4
France	+5.8	+2.1	+ 6.2	+5.8
Italy	+5.5	+4.1	+ 9.0	+2.2
Holland	+4.6	+ .9	+ 6.0	0
Belgium	+3.4	+ .5	+ 3.2	—6.5
United States	+3.0	+ .4	+ 3.3	—6.5

(annual percent changes in:)

Sources: Bank for International Settlements, O.E.E.C. and The Chase Manhattan Bank.

How Will the American Businessman Fit In?

For all these reasons, the Common Market is picking up speed, and U.S. business and financial leaders are asking where it is going and how it will affect them. Initially, at least, it should mean more and more exports to the six-nation, as well as the seven-nation area. As long as the Eureopean

(Please turn to page 320)

THE FOOD CHAINS—
HOW THEY ARE MEETING LABOR PROBLEMS—COMPETITION—AND STORE SATURATION POINTS

By ROBERT G. SCANLON

- **Ingenious ideas by aggressive management and intensified diversification in products and sales gimmicks mark chain store activity**
- **Where over-reaching in "poaching" may boomerang by eventually thinning profit margins**
- **Current position for the individual companies—their earnings-dividend outlook**

THE grocery chain stocks have fallen from favor with investors. The retailers of food cannot be said to be in disfavor, for the index of their stock prices still stands well above the high of any year previous to 1958. But grocery chain issues, which did better than the general market throughout last year, have consistently performed less well than the market during 1959 to date, and as recently as the week of November 11th, established a new low for the year.

This poor record seems to be more the result of a change in public attitude than of developments in the trade. Profits of grocery chains as a group are not declining. It is true that in the first half of the year the composite earnings of seven food chains showed a gain of less than 1½%, compared with a jump of more than 55% for 674 industrial companies. This, however, can be attributed in part to the fact that industrial companies were recovering from a 1958 drop of more than 15% in composite net income, while earnings of the grocery chains not only did not decline last year, but actually advanced about 7%.

Labor troubles were responsible for some of the indifferent showing of the grocery chains in the first half of this year. Strikes which closed large numbers of stores occurred in Los Angeles, Minneapolis, Northern New Jersey, and metropolitan New York, with markedly adverse effects on the earnings of some large chains operating in those areas. But the profits of chains so affected have shown good recoveries after the settlements of the strikes, and the prospect now is that most companies in the chain grocery field will enjoy increases in net

income for the full year 1959.

What has probably caused investors to turn to industrial stocks this year is the lack of glamor in a bread and butter business. In a recessionary period investors eagerly seek refuge in stocks in stable businesses, but when economic activity is increasing as rapidly as it did in the first half of 1959, and as it promises to do in early 1960, the potential gains in "dynamic" stocks seem far more attractive than the protection against sharp price declines believed to be provided by the stability of the food business.

Labor Problems, Competition and Too Many Stores

This is not to say that chain grocery companies are immune to unfavorable developments. One that has already been mentioned is the growing number of labor difficulties. Another that has been in the making for several years is keener competition. For at least eight years the larger food chains have been growing rapidly through the purchase of smaller ones, through replacement of small service-type stores with large supermarkets, and through the establishment of giant units in shopping centers. Sometime the saturation point will be reached and probably passed; then some communities will be found to have more stores than they need and can support. A few prominent members of the trade have suggested that this situation already exists. The sales figures of the larger chains give no support, as yet, to the theory of "overcapacity," but it is obvious that such a state must be nearer than in any recent year.

The "Bantams"

At the other end of the scale, grocery chains are beginning to encounter competition from "bantam" food stores, with limited floor space and limited stocks, but conveniently located in or near residential neighborhoods for those who grudge the time required for a trip to a shopping center. Many of the "bantam" stores are family-operated and are open longer hours than the chains. In this respect they resemble the delicatessens. A large proportion of the "bantam" stores provide drive-in service, although this is not a necessary feature.

A tabulation made last June by a grocery trade magazine found that **"bantam"** and drive-in chains are pretty much confined to Texas at present, but that six other companies are planning "bantam" chains, most of which will be regional, but one of which will reach across the country. Companies operating one or more "bantam" or drive-in stores are found in about ten states widely scattered over the U. S.

That **competition** is becoming keener in food retailing is generally admitted, and is buttressed by figures compiled in a recent survey of 56 grocery chains. While gross margins (the spread between the price paid for merchandise and the price at which it is sold) continue to widen, reaching 20.5% in 1958, compared with 20.4% in 1957 and 18.1% in 1955, rising costs have begun to impinge on net income. Important among such costs are labor, advertising and promotion. The latter includes all types of activity used to bring in business, such as trading stamps, mark-downs, special sales, kiddie corners, and the like. The study found that profits after expenses and taxes amounted in 1958 to only 1.40% of sales, compared with 1.44% in 1957. This may seem a small decline, but it is important when the net profit percentage is itself so small. *"The findings,"* commented Harvard Professor Malcolm P. McNair, *"begin to foreshadow the kind of profit squeeze that has already affected other branches of retail business in recent years." In food retailing the effect on net income has tended to be obscured by the rapid and continuous expansion of volume.*

Is "Poaching" the Answer?

But grocery chain executives are aware of what is going on, and have been taking steps to protect their profits. Particularly they have widened the gross margin, as already noted, by stocking an increasing number of non-foods. Gross margins on non-foods average more than 30%, compared with about 20% on meats and frozen foods and less than 18% on other grocery products. The types of non-foods most commonly retailed in supermarkets so far are cosmetics, vitamins and home remedies, housewares, glassware, phonograph records, garden supplies, and staple clothing such as hosiery and underwear.

There is still a good deal of difference of opinion among the larger chains on how far the trade should go in the retailing of non-foods. Several chains are proceeding only tentatively, and are still skeptical about the long-run advantages. One large chain, which tried out not only cosmetics and home remedies, but also a catalog order service in co-operation with a mail order house, is reported wanting to go back to foods exclusively.

Grand Union, on the other hand, has espoused the non-foods cause wholeheartedly, with the establishment of "discount centers" which include liquor departments, pharmacies which fill prescriptions, camera centers with printing and developing service, clothing sections with fitting rooms, luncheonettes, and customer lounges, among other features. About the only type of merchandise the Grand-Way Discount Centers do not carry is that in which style is a major consideration. About two-thirds of the available space is occupied by non-foods, which outnumber food items three or four to one. Time payments and "layaway" plans are offered.

Grand Union opened its first discount center about three years ago, and now has twelve in operation, seven of which were opened in the fiscal year ended February 28, 1959, and two in the early months of the current fiscal year.

Food Fair and **Safeway** are also experimenting with discount-center-type stores, and Food Fair is considering speeding its entry into the field by a possible merger with E. J. Korvette, leading discount house.

Even if the industry does not follow these leads, it seems reasonable to believe that in the next few years the trend will be for grocery stores to retail an increasing number of non-foods, and that the proportion of total sales provided by such non-foods will rise well above the present approximately 5%.

Position of Leading

	Net Sales 1958 (Millions)	Net Sales 1959 (Millions)	1st 9 Months Net Profit Margin 1958 %	Net Profit Margin 1959 %	Net Per Share 1958
ACF—Wrigley Stores, Inc.	$ 83.8[1]	$ 84.3[1]	1.4%	.8%	$ .30[1]
American Stores	217.8[4]	222.9[4]	1.3	.8	1.61[4]
First National Stores	N.A.	N.A.	N.A.	N.A.	1.30[5]
Food Fair Stores	654.8[7]	733.9[7]	1.5[7]	1.4[7]	1.91[7]
Grand Union Co.	234.6[9]	308.1[9]	1.3[9]	1.2[9]	.82[9]
Great Atlantic & Pac. Tea Co.	N.A.	N.A.	N.A.	N.A.	1.15[9]
Jewel Tea	231.5[10]	245.8[10]	1.7[10]	1.7[10]	1.30[10]
Kroger Co.	1,344.4	1,435.2	1.2	1.3	1.31
National Tea Co.	588.2	631.5	1.0	1.0	.92
Safeway Stores	1,504.2[11]	1,607.3[11]	1.5[11]	1.4[11]	1.80[11]
Winn-Dixie Stores	N.A.	N.A.	N.A.	N.A.	.46[12]

*—Based on latest dividend rate.
N.A.—Not available.
1—1st fiscal quarter ended Sept. 26.
2—Year ended June 30, 1958 & 1959.
3—Fiscal years ended Mar. 31, 1958 & 1959.
4—13 weeks ended 6/28/58 & 14 weeks 7/4/59.
5—1st fiscal quarter ended 6/27/1958 and 1959.
6—Plus stock.

ACF-Wrigley Stores: Relatively new enterprise in present form, organized at beginning of 1956, has suffered in current year to date, sharpest earnings decline of any chain under review. Little chance of larger dividends under such conditions. **C3**

American Stores: Strike of last April will probably be responsible for earnings gain, if any, being of small proportions this year. Further long term advance suggested, however, by continued program of opening new units and widening territory covered. **B2**

First National Stores: Characterized by highest margins in the trade, no funded debt, a careful expansion policy; tight cost control, and steady, if slow, earnings progress since 1951. Slight prospect, however, for increase in dividend rate. **A2**

Food Fair Stores: Further vigorous expansion is indicated by sales of $21.2 million of convertible debentures last April. Earnings trend is improving. Dividend trend is upward. Now discussing possible merger with E. J. Korvette, discount house. **B1**

Grand Union: Bold expansion both geographically and into new fields such as non-foods continues to produce larger sales, earnings, and dividends for this company, which has a third interest in Eastern Shopping Centers, Inc., and a trading stamp subsidiary. **B1**

Great Atlantic & Pac.: Most integrated as well as largest retailer in world, in which Hartford family owns about 80% of voting stock, is gradually widening its margins and will probably raise the dividend soon **A1**

RATINGS: A—Best grade. B—Good grade. C—Speculative. D—Unattractive.

A Loaf of Bread a Jug of Wine and a New Car Too

Other innovations introduced by grocery chains in the effort to increase profits include departments for fancy foods (which also have wider margins than staples), vending machines, insurance counters, and gasoline pumps in the parking lots. In some areas supermarkets have experimented with the use of their parking lots and adjacent land for the display of cars for sale in what are the equivalent of miniature automobile shows. Safeway is also trying out a luxury store on Park Avenue in New York, providing telephone service, delivery, and charge accounts, as well as having self-service on one floor.

In short, food retailing is subject, as are most businesses, to a process of continual change. In the last forty years the trade has witnessed shifts from individual ownership to large chains, from service and credit, to cash and carry; from neighborhood stores to large supermarkets in shopping centers; from staple foods in bulk to convenience foods in packages—to name only a few of them.

A sign of the times is another interesting development coming out of Cleveland, reporting the operation of a super market for the "corner" grocer—who is willing to push a hand truck to the checkout counter and make his own deliveries, enabling him to save 10% on his bills. The result —the wholesaler loses an account.

Able management, such as possessed by most of the present food chains not only meets changes successfully but often turns them to advantage. The fact, therefore, that keener competition is making some changes necessary in food retailing does not constitute a development which will necessarily have any substantial or permanently bad effect on the earning power of food chains. This conclusion has a bearing on the investment status of food chain stocks at the present time.

The decline in prices of this group of securities in 1959 have brought most of them into more reasonable relation to present and prospective earnings. Yields are still on the low side, but are improving, albeit slowly. If we are correct in our belief that companies of this type will continue to show gradually improving earnings for some years to come, carefully selected issues in this group would seem to constitute satisfactory long-term investments.

We comment, in the paragraphs which follow, on the positions and prospects of the leading publicly owned companies in this trade:

ACF-Wrigley Stores is a relatively new enterprise in its present form, having been incorporated at the beginning of 1956, although most of the constituent divisions had been in existence for twenty years or longer. Earnings of the predecessor companies showed a sharply upward trend until the consolidation and for a time thereafter, but progress slowed in the fiscal year ended June 29, 1958, and profits declined sharply in the most recent fiscal year.

Management explains the drop as the result of unfavorable employment conditions in the automobile manufacturing regions in which the company has two-thirds of its stores, combined with losses in a group of Cleveland stores, subsequently sold, but the magnitude of the decline, which continued in the three months ended September 26, is puzzling.

Plans for the current year call for nine new markets, of which six will be in the Oklahoma-Texas area,

Food Chain Stores

Net Per Share 1959	Full Year — Earned Per Share 1957	1958	Dividend Per Share 1958	1959*	Price Range 1958-1959	Recent Price	Div. Yield
$ .17[1]	$1.43[2]	$ .86[2]	$ .40[6]	$ .40	24¾-12¼	13	3.0%
.95[4]	5.97[3]	6.16[3]	2.00[6]	2.00[6]	105 -65½	78	2.5
1.24[5]	5.37[3]	5.28[3]	2.50	2.50	88 -55	58	4.3
1.91[7]	1.91[7]	1.91[7]	.75	1.00	43 -26⅜	33	3.0
.90[9]	1.70[8]	1.58[8]	.52[6]	.60	37⅞-22⅜	31	1.9
1.03[9]	2.34[8]	2.49[8]	.80	1.10	59 -24⅛	36	3.0
1.32[10]	2.31	2.51	1.00[6]	1.20	57 -28	45	2.6
1.52	1.70	1.76	.72	1.10	34⅜-20	32	3.4
.93	1.24	1.33	.67	.80	24⅞-14¼	19	4.2
1.90[11]	2.43	2.60	1.10	1.40	42¼-24½	35	4.0
.50[12]	1.95[2]	2.22[2]	1.02	1.14	49¼-26¼	42	2.7

7—Years ended April 30, 1958 and 1959.
8—Years ended Febr. 28, 1958 & 1959.
9—26 weeks ended Aug. 30.
10—28 weeks to July 18.
11—36 weeks to September 5.
12—12 weeks ended Sept. 19.

Jewel Tea Co.: Is now placing half its new stores in shopping centers, although still operating over 1,900 home service routes in addition to more than 250 self-service stores. Sales and profits continue to gain in 1959, despite the steel strike. Need of funds for expansion may delay an increase in the dividend. **B1**

The Kroger Co.: Good earnings gains have been reported in every quarter this year, culminating in a recent lift of the dividend. Apparent reasons: Continued replacement of small stores with larger markets, emphasis on Kroger brands, absence of labor troubles, active promotion. **A1**

National Tea Co.: Briefly hurt by a strike earlier this year, fifth largest chain is again lifting volume and profts steadily but not spectacularly. Control by Loblaw Groceterias suggests ultimate merger is a possibility. **B1**

Safeway Stores: Second largest food chain has scored good earnings gains in second and third quarters, which management credits to groundwork of preceding years and expects to continue for some time to come. Expansion program is continuing unabated and profit margins are much improved. **A1**

Winn-Dixie Stores: Keener competition is slowing the growth of this retailer-wholesaler whose sales in the fiscal year ended June 30, 1959 were almost nine times those of fiscal 1949, and whose per share profits multiplied almost four times in the same period. **B1**

1—Improved earnings trend.
2—Sustained earnings trend.
3—Lower earnings trend.

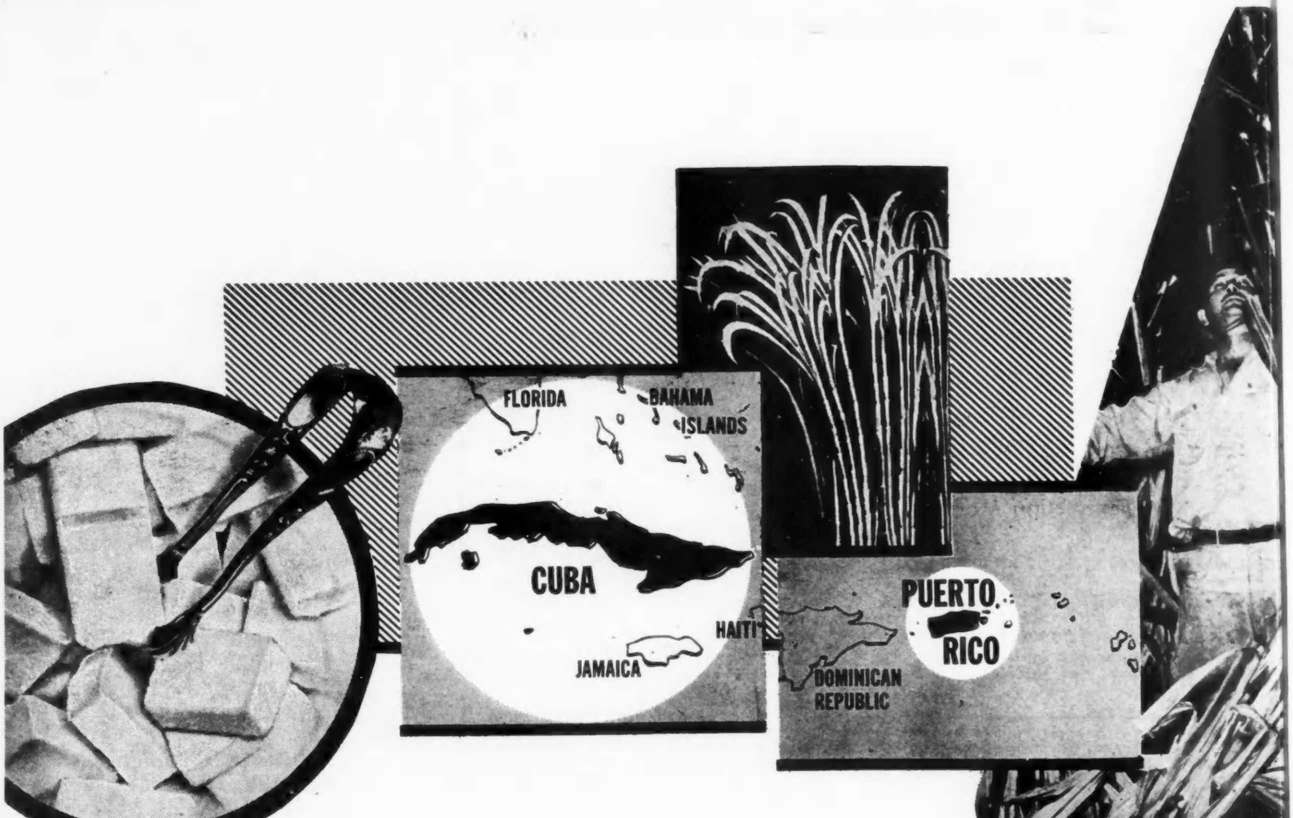
in line with efforts to diversify the sales base, and lessen the impact of possible unfavorable developments in any one sector of the economy. The 10¢ a share quarterly dividend is not yet endangered, but an increase in payments is hardly likely until the trend of earnings has been reversed and current finance strengthened.

American Stores Company, whose business is concentrated in Pennsylvania, New Jersey, New York, and Maryland, has enjoyed an upward earnings trend since 1954, and would probably have registered another gain this fiscal year if a strike of retail clerks in Northern New Jersey had not lost it an estimated $20 million of sales in the March-June quarter. The company is still opening new stores, has bought land at King of Prussia, Pa., for a shopping center development, and may extend operations into Long Island and around the periphery of its present area. Such expansion of facilities could produce a resumption of the advance in earnings in fiscal 1960. To conserve funds for such expansion the company's policy for many years has been to limit cash dividends to $2 a share, supplemented, in most years, by 5% stock distributions.

Food Fair Stores has a remarkable record of growth of volume and is still expanding vigorously. Per share earnings gains, which slowed down in recent years as the company extended operations from the New York-Pennsylvania-New Jersey area into Virginia, Georgia and Florida, are growing larger. Dividend payments, which have increased in each of the last thirteen years, will probably be slightly larger next year. Holdings of stock by the Friedland family (Samuel Friedland is chairman) total about 30% of the common outstanding. The company recently announced that it has held preliminary discussions on the subject of a possible merger with discount house E. J. Korvette, which would take it into the retailing of non-foods.

Sales of **Grand Union** have a little more than doubled each five years since the end of World War II, and President Lansing P. Shields predicts that the $1 billion mark will be reached by 1964, compared with a present level of about $600 million. This of course will depend on continued expansion in our economy. The per share earnings gain from 1952 through 1957 was more rapid than any other in the group under review. These achievements can be credited to an unusually energetic management which has not only expanded facilities rapidly, but has also made liberal use of borrowed capital. After a slight dip in per share profits last year, such income has resumed the upward trend, and these favorable results have already been reflected in an increased dividend rate. The company has its own real estate affiliate and its own trading stamp company.

Great Atlantic & Pacific Tea Company, the country's No. 1 retail enterprise, with more than twice as many stores as its nearest competitor, has encountered labor difficulties this year, and may report little or no gain in earnings after seven years of continuous progress. Since 1955 the company has shown a disposition to widen its pretax margin, once among the lowest in the industry. Before the strike made it necessary to close about 400 stores in the metropolitan New York area for more than a month, President Ralph W. Burger had announced that the would propose raising the dividend rate *(Please turn to page 324)*



Acts of God That Put DOMESTIC BEET SUGAR INDUSTRY In a Better Position Today

► With an appraisal of the position of the 5 leading companies—their earnings-dividend position and outlook

By CHARLES H. RIPLEY

SUGAR industry can take warning from the recent action of the Cuban Government with regard to the petroleum industry in reducing the size of oil claims for exploration, the imposition of a 60% royalty on oil production and the threats of ultimate nationalization serves as a warning that political considerations more than intelligent economics will continue to exercise a strong voice in the management of Cuban affairs. Under such a program, foreign-owned sugar cane plantations would be expropriated by the Cuban Government.

Present owners would be compensated by a cash settlement in the form of a 4½ 20-year government bond, payable in pesos which are to be reinvested in Cuba. The amount involved, subject to Castro's whims, would presumably be considerably less than the actual value of the land, particularly inasmuch as the land is worth more than it is being presently carried at on the books.

Although the domestic sugar beet industry has not as yet been directly affected by the turmoil in Cuba, future allotments for American sugar and the world price structure are bound to be governed in some measure by the size of Cuban crops, the kind of treatment accorded present property owners, and the cordiality of the relationship between Cuba and the United States. Continued antagonism on the part of Castro could work to the advantage of the American sugar beet growers.

The fortunes of the 70,000 odd U. S. citizens involved in the domestic sugar beet industry took a decided turn for the better in 1956 upon the revision of the Sugar Act when, for the first time, the industry's quota was made contingent on the national sugar consumption. That year domestic sugar beet production rose over 7% versus a 5% increase in domestic sugar consumption. In 1957 sugar beet production jumped 9% by dint of the Suez crisis even though domestic consumption increased by 3%. Last year beet sugar producers fared well by virtue

Statistical Data On Five Beet Sugar Producers

	1958			1st 9 Months 1958		1st 9 Months 1959					
	Net Sales —(Mil.)—	Net Earnings Per Share	Div. Per Share	Net Sales —(Mil.)—	Net Earning Per Share	Net Sales —(Mil.)—	Net Earnings Per Share	Recent Price	Price Range 1958-1959	Indicated 1959 Div. (*)	Div. Yield %
Amalgamated Sugar Co.	$56.8[1]	$4.57[1]	$2.25	N.A.	N.A.	N.A.	N.A.	48	48½-27¾	$2.25	4.6
American Crystal Sugar	56.4[2]	4.33[2]	1.60	$30.0[4]	$2.01[4]	$28.1[4]	$2.37[4]	39	44½-28⅛	1.80	4.6
Great Western Sugar	107.3[3]	3.13[3]	1.60	N.A.	N.A.	N.A.	N.A.	31	31⅝-20¾	1.70	5.4
Holly Sugar	67.8[2]	2.65[2]	1.20	N.A.	N.A.	N.A.	N.A.	24	25¾-17⅛	1.20	5.0
Utah-Idaho Sugar Co.	N.A.	.71[3]	.40	17.2	.30	N.A.	N.A.	7½	8 - 4¾	.40	5.3

*—Based on latest dividend reports.
N.A.—Not available.
1—Year ended Sept. 30.
2—Year ended March 31, 1959.
3—Year ended Feb. 28, 1959.
4—6 months ended Sept. 30.

of a prolonged strike in Hawaii and a drought in Puerto Rico, resulting in a reduction of imports of competing cane sugar and the consequent firming of prices.

Another Year of Peak Capacity

This year the beet sugar industry is once more headed for peak production at the expense of Puerto Rico whose sugar crops were again damaged, this time by torrential rains in the spring of the year. Although faced earlier in the year with quota reductions, the entire American sugar industry's domestic requirements were recently reappraised and revalued upward 100,000 tons by the Department of Agriculture. This factor, coupled with the Puerto Rican production deficit of 210,000 short tons and Hawaii's deficit of 150,000 short tons, has permitted the raising of domestic sugar beet industry's current allotment by around 227,000 short tons.

Admittedly, the future outlook for the domestic sugar beet industry is speculative, contingent as it is on the vagaries of the weather both here and abroad. This is not only because of potential crop damage, but also because of the weather's affect on the sugar content of the beet and nation-wide sugar consumption.

For example, an early and hot summer in the United States can have a substantial impact on the soft drink industry which in turn has a marked correlation on sugar demand. The marketing allotment of the sugar beet industry is also at the mercy of such legislative pressure as may be exerted by Cuba, Puerto Rico, the newly created state of Hawaii as well as Latin and South America where some countries, to wit Mexico and Peru, are seeking an increase in quotas and other countries such as Brazil which now has no quota but is seeking one. Nevertheless, the lot of the domestic sugar industry is on the "up-beet," and it is our feeling that certain of the leading producers afford interesting possibilities.

Great Western Sugar's nineteen factories produce a volume of sugar that accounts for over $100 million of sales, making it the nation's largest factor in the sugar beet industry. Its plants located in Colorado, Nebraska, Montana, Wyoming and Ohio have an annual slicing capacity of over 12 million tons of beets. The company's Johnstown, Colorado plant also turns out various derivations such as monosodium glutamate, potassium sulfate and liquid livestock feed.

Great Western acquires the bulk of its beets from local growers on a participating basis. The price of the beets is contingent on the sugar content with 56% of the proceeds after freight and selling expenses owing the farmer.

Great Western's sales increase of around 50% since 1950 is in line with the growth of the economy as a whole. Although profit margins vary with the quality of the crop, earnings on the average seem to keep pace with sales. Last year's sales of $107.3 million were at an all time peak because of reallocation of domestic quotas to compensate for Puerto Rican and Hawaiian sugar deficits. Despite the resulting higher prices, profits were held down by non-recurrent expenses connected with the abandonment of its Brush, Colorado factory.

With the overall 1959 quota for sugar beets being within 100,000 tons of the 1958 quota, sales of Great Western Sugar for the fiscal year ending February 28, 1960 should approximate sales figures for fiscal 1958-1959, but profits may be around 10% lower because of the indicated lower sugar content of the 1959 beet crop being utilized in the Company's third and fourth quarter production. Estimated earnings at around $2.85 per share, however, are ample to cover the regular quarterly dividend of 30¢ plus the year end of 50¢ paid in April. While the capital gains potential appears somewhat limited, the common shares of Great Western Sugar at their recent price of 31 are attractive for the above average 5.4% yield.

Holly Sugar is the nation's second largest producer of beet sugar with annual sales last year of $67.8 million. The company's twelve plants are located in California and the Rocky Mountain states are capable of slicing around 6.4 million tons of beets on an annual basis. The by-products of its sugar production such as beet pulp and molasses are sold for feedstuffs and further processing. In fact, the Company carries on a livestock operation at several of its own plants. Additional income amounting to between 15¢ and 20¢ per share is realized from its 28% interest in Holly Oil Company, a small oil and gas producer with wells in California, New Mexico and Kansas.

Holly's area of sales concentration is West of the Mississippi rather than nation-wide as in the case of its major competitors. A fair portion of the Company's output goes to the canners and bottlers of soft drinks. Sugar beets are purchased under contract agreement from growers.

Sales for the fiscal year ending March 31, 1960 may approximate the sales of around $68 million for the year previous. With increasing operating efficiencies tending to *(Please turn to page 317)*

9 SOUND STOCKS

Suitable for Averaging—for Investment—on Substantial Market Reaction

By WARREN J. FREDERICKS

THE record 116-day closing of the $15 billion steel industry has temporarily been settled by the Supreme Court ruling upholding an injunction ordering the steel workers back to the mills. Steel production has come back at a faster pace than had been expected, with operations estimated to be close to 90 per cent of raw steel capacity for the latest week. The few mills that were not struck produced steel amounting to only 12 to 13 per cent of the industry's output.

Business observers are generally agreed that the steel strike has deferred, but not altogether checked, the healthy advance that was in progress before the strike began. Overall, business is expected to make a steady recovery and remain at a high level throughout the better part of 1960, barring further strikes in important industries and a renewal of the steel strike. Against this background, it seems prudent to observe the forces operating on the stock market.

Stock Market Forces To Be Operative

Stock prices are high from an historical viewpoint only, for this country has never experienced a parallel economic or financial situation. The recent level of 645 for the Dow-Jones Industrial Average was close to 17½ times estimated 1959 earnings of some $37 a composite share for that group of stocks —close to the record 19 multiplier achieved in 1929.

► *Prospects for general business* are brighter than those for individual companies' profits. Witness the price competition brought about by overproduction and overcapacity in such industries as oil and aluminum.

► The *disparity between bond and stock yields* that has resulted in a slow, steady shift to bonds.

► *Termination of the seller's market*, with competition from foreign imports becoming stronger every day.

► Awareness that *inflation must be checked*. This is evident in Government fiscal operations and the reluctance of the automobile and steel industries to increase prices.

► The *possibility of another walkout* by the steel union on January 27, 1960, when the present 80-day injunction ends, and the ensuing disruption of a railroad strike, which could occur in early February —uncertainties that hang over the business scene.

Suggested Investment Policy

The above factors suggest that the general market

may remain in a trading area a bit longer, with the possibility that the next major advance may not get under way for a while. The lower limits of such a trading area, however, would furnish an excellent opportunity for investors to establish a position in stocks that are likely to show a quick response to the resumption of the business upturn in 1960.

The nine selected issues to achieve this investment objective include American Cyanamid, Goodrich, R.C.A., Eastman Kodak, U. S. Steel, Clark Equipment, Minneapolis-Honeywell, Minnesota Mining & Manufacturing and Merck & Co. These stocks provide a representation in such areas as chemicals, drugs, rubber, materials handling, radio-TV and electronics, photographic apparatus, steel and iron, automatic controls, and automobiles—areas that are likely to enable these companies to participate fully, if genuine prosperity should materialize for 1960. Included in the following appraisals of the individual companies is an estimate of the price range at which the issues would appear to be most favorably situated for capital appreciation possibilities.

American Cyanamid is a large diversified producer of chemicals, with an important stake in pharmaceuticals through its Lederle Laboratories Division. The latter accounted for 29% of the company's $525 million in sales last year and its broad pharmaceutical line is an even more important contributor to earnings. Leading products include Achromycin, a broad-spectrum antibiotic; Aristocort, for rheumatoid arthritis; and Diamox, a diuretic. A live polio vaccine has undergone extensive clinical testing and broad distribution will commence upon approval by the U. S. Public Health Service. In the chemical field, Cyanamid is the leading producer of acrylonitrile, a basic ingredient for synthetic rubbers and synthetic fibres, and a major factor in the production of triple superphosphate and titanium dioxide.

Sales for the first nine months this year were up almost 9 per cent while net income rose sharply by 43% to $1.89 from $1.32 in the corresponding period last year. Full year earnings will be close to $2.50 a share, exceeding the previous record of $2.42 in 1957. Currently around 59, the stock has a range of 65-47 this year. A reaction to 50 or below—equal to 20 times earnings would provide a favorable opportunity to make new commitments.

Goodrich: The smallest of the Big Four rubber companies, Goodrich for many years has been a leader in diversifying into chemical operations. Tires and related products are the most important product line, although they represent less than 50% of sales and a smaller percentage of earnings. Of Goodrich's original equipment tire production, some 20% is taken by GM, another 20% by Ford, and close to one-half of American Motors' needs are supplied. In addition to its leading position as a producer of polyvinychloride, Goodrich has broadened its chemical activities and is also active in other areas of the plastics industry. Through Goodrich-Gulf Chemicals, a one-half interest is obtained in two synthetic rubber plants with a capacity of around 240,000 tons and a one-fourth interest in a 300,000 short ton butadiene plant.

Earnings for the first nine months of $3.20 a share were up over the previous year's $2.61, despite a fifty-five day strike against eight of the company's plants. Goodrich's stock is currently around 88, having climbed from a five-year low of 54 in 1958 to a high of 103 this year. Market weakness that might carry the issue to the 75-80 range, would justify buying into this very well-managed company.

Radio Corporation of America until recently was best known for its activities in the fields of radio and television. Today it is also represented in such dynamic growth areas as defense electronics, industrial electronics (data processing and automation products) and modern communication systems. Defense business accounted for about one-quarter of the $1.2 billion in sales last year and RCA's current substantial backlog of unfilled military orders is led by its position as prime contractor for the multimillion dollar Ballistics Missile Early Warning System (BMEWS) project. Television and radio broadcasting, conducted by the wholly-owned subsidiary, the National Broadcasting Company, accounted for another quarter of RCA's overall sales last year. RCA's extensive research program assures its participation in the future growth of the rapidly expanding electronics industry.

Increased demand for consumer products and a gain in defense business, enabled sales for the first nine months this year to show a 17% increase over those of the similar period last year. Net income scored an impressive 38% gain to $1.80 a share from $1.26 for the first nine months of 1958. At the current market price of 65, the common stock is selling at approximately 24 times 1959 estimated earnings of $2.70-$2.80 a share. This would suggest that commitments should be undertaken in the 55-60 area.

Eastman Kodak is best known to the public throughout the world from the names "Kodak" and "Brownie." Photographic equipment and supplies accounted for roughly two-thirds of the $828 million in sales last year divided as follows: amateur photographic products, 29%; commercial and professional photographic products, 29%; and professional motion picture film, 9%. The remaining third of the company's business consists of fibers and plastics, 18%; chemicals, 8%, military items, 4%; and miscellaneous, 3%. In addition to its present Verifax Office Copier, a new photographic system called the Ektalith equipment line will be introduced after the first of the year.

The common stock has advanced to 103 from around 90 less than a month ago, reflecting the likelihood that 1959 earnings will increase to the $3.30-$3.40 a share level from last year's net of $2.57 and increased dividend declarations for 1959 of $1.80 a share versus last year's $1.42 a share. The stock would appear to offer better value in the 80-85 range than that provided at the current level.

U. S. Steel's annual ingot capacity of 41.9 million tons (28.4% of the industry's total) establishes the company as the foremost domestic steel producer. Highly-integrated operations embrace the mining of substantial iron ore and other raw material reserves, transportation activities, the production of coke, pig iron and steel and the fabrication of steel products.

Sound Stocks Suitable For Purchase On Reaction

	1958			1st 9 Months 1958		1st 9 Months 1959					
	Net Sales (Mil.)	Net Earnings Per Share	Div. Per Share	Net Sales (Mil.)	Net Earnings Per Share	Net Sales (Mil.)	Net Earnings Per Share	Recent Price	Price Range 1958-1959	Indicated 1959 Div. (*)	Div. Yield %
American Cyanamid	$525.0	$2.07	$1.60	$388.3	$1.32	$442.0	$1.89	59	65¼-39½	$1.60	2.7
Clark Equipment	142.6	2.70	2.00	102.6	1.82	159.5	4.36	87	90½-35¼	2.25	2.5
Eastman Kodak	828.8	2.57	1.42	551.0[1]	1.65[1]	621.7[1]	2.27[1]	99	101 -48⅝	1.80	1.9
Goodrich (B.F.)	697.3	3.95	2.20	508.4	2.61	578.4	3.20	88	103¼-53½	2.20	2.5
Merck & Co.	206.6	2.53	1.40	153.8	2.03	166.9	2.23	79	91¾-36¾	1.80	2.2
Minneapolis Honeywell Regulator	328.4	3.23	1.75	233.2	2.12	273.8	2.97	125	150 -76	1.85	1.4
Minnesota Mining & Mfg.	376.2	2.58	1.20	271.3	1.75	323.0	2.50	149	160¾-73½	1.60	1.0
Radio Corp. of America	1,170.6	1.98	1.50	834.8	1.26	978.2	1.80	65	71 -30¼	1.50	2.3
U. S. Steel	3,438.6	5.13	3.00	2,535.3	3.56	2,894.7	3.80	96	108⅞-51⅝	3.00	3.1

*—Based on latest dividend reports.
d—Deficit.

1—36 weeks ending Sept. 6.
2—Sales of Mfg. subsid; Rev. of Tel. subs. $322.6 million additional.
3—Sales of Mfg. subsid; Rev. of Tel. subsid. $235.8 million additional.
4—Sales of Mfg. subsid; Rev. of Tel. subsid. $276.5 million additional.

The Universal-Atlas subsidiary accounts for better than 10% of domestic cement capacity.

Assuming that the industry is successful in arriving at a labor agreement with the steelworkers' union before the expiration of the injunction on January 26th next year, production could reach a record level on the order of 125 million tons. At such a level of operations, U. S. Steel would be capable of surpassing the record earnings of $7.33 a share achieved in 1957. A reaction to the lower part of this year's range of 109-88 from the current level of 96 would afford a good opportunity to participate in the hoped-for rebound of the steel industry next year, depending of course on a sound wage settlement.

Clark Equipment as a leading maker of materials-handling equipment benefits from the trend towards labor-saving equipment. The industrial truck division and construction machinery are etimated to have each accounted for about one-third of the $142.6 million in sales last year, with the balance accounted for by heavy automotive components and Brown Trailer. Management has widened its product line and expanded production facilities to participate fully in the growth potentials offered by construction machinery and truck trailers, and by foreign expansion.

For the first nine months of this year, earnings were at a record level of $4.36 a share, up from $1.82 a year earlier. Not only were the earnings the highest for any nine-month period in the company's history but they also exceeded peak full-year earnings of $4.23 a share in 1955. An extra dividend of $0.25 a share was declared this year bringing full-year dividend payments to $2.25, compared with last year's $2.00. A two-for-one stock split has been proposed for early next year, with the new stock on an equivalent $2.40 a share dividend basis. At the current level of 89, the stock has more than doubled since last year. A major purchasing program might be warranted at around 40 for the new stock.

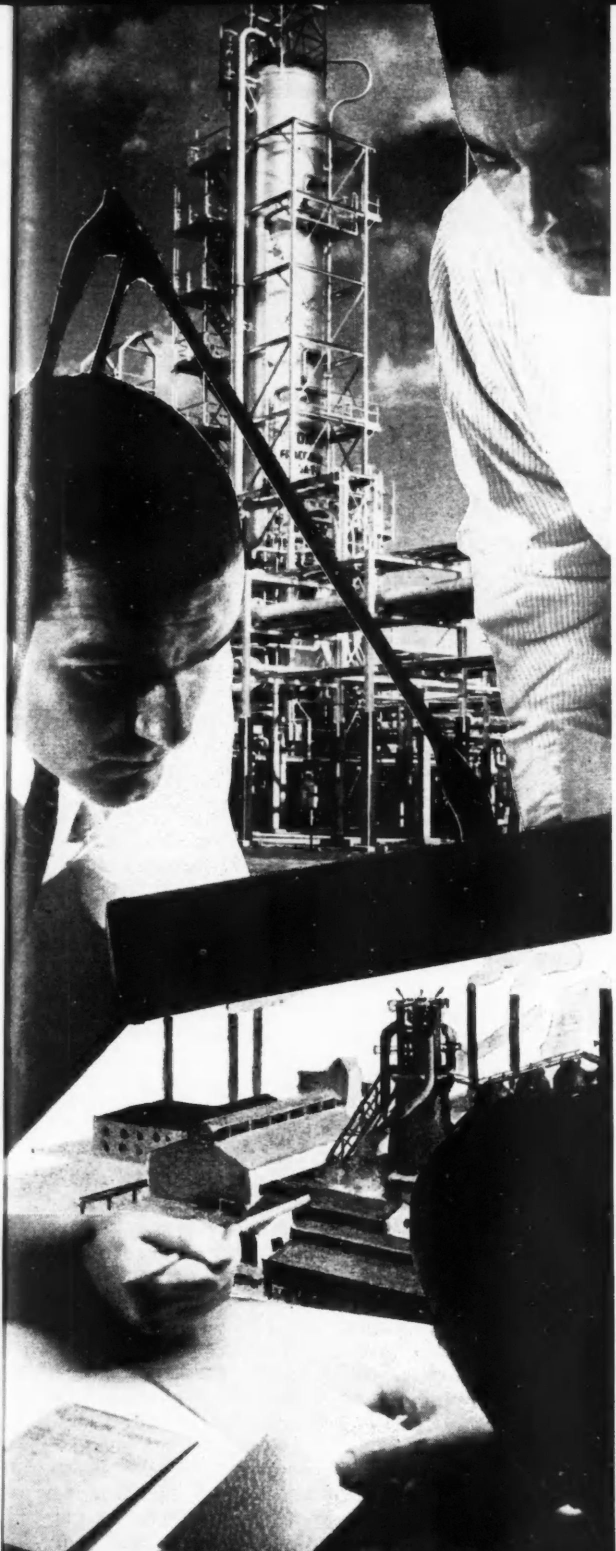
Minneapolis-Honeywell has had a unique growth record as a leader in the field of automatic temperature controls and an expanding position in such romantic areas as atomic energy, guided missiles, and electronic controls. In the past decade sales will have increased over five-fold to an estimated $370 million this year from $72.8 million in 1949. Earnings this year are projected at a record level of close to $4.00 a share, versus $1.52 a share ten years ago.

An increased dividend of $1.85 a share will be paid this year, with the quarterly rate having been increased to $0.50 a share from $0.40 during the last quarter. Currently selling at 133, the stock is some 15 points below its high of 150 this year. This stock is selling at approximately 35 times this year's estimated earnings and as the floating supply is relatively small, is subject to wide price fluctuations.

Minnesota Mining & Manufacturing: Holdings of this issue by the large investment companies have steadily increased over the past three years. This trend recognizes the remarkable growth record of the company, which is based on successful research efforts to develop a steady flow of new products. Some 25% of 1958 sales of $376 million came from products that were not produced by the company five years ago.

The company's older established lines include pressure-sensitive and gummed tape products (Scotch brand), coated abrasives and adhesives, graphic products and chemicals and plastics. Newer areas include magnetic tapes and the favorably-accepted "Thermofax" duplicating machine.

Management has estimated that sales this year will increase by almost 10% to a record level of $412 million. Earnings will probably show an even more pronounced gain of around 25% over the $2.58 earned last year. The quarterly dividend rate was raised from $0.30 a share to $0.35 with the first quarter payment and was further increased to $0.40 a share with the September payment. During the past week of trading, the stock advanced by 9 points to an all-time high of *(Please turn to page 324)*



COMPANIES REPORTING ABOVE-AVERAGE EARNINGS GAINS

► **Where profits doubled in the first nine months**

► **Where company earnings inrreased in retarded industries**

By WALTER UNTERMEYER, Jr.

ALTHOUGH the average earnings of 598 of America's leading corporations for the first nine months of this year increased 43% over the comparable period last year—for the third quarter of 1959 the improvement was only 5% above 1958, due in a large measure to the steel strike—yet, despite the upset in our economy, it was interesting to note that a number of companies continued to show profits, in some cases as much as 100% or more above the same period last year, while certain companies in retarded industries succeeded in increasing their earnings in a way that was very gratifying.

However, to what extent they can continue to set a record in the year ahead is still in the lap of the gods. The following discussion covers the two groups—namely, (1) companies with 100% or more gains in profits and (2) others with increased earnings despite the fact that they operate in relatively retarded fields.

Companies Whose Profits Are Up 100% or More

Burlington Industries is the largest company in the textile business as a result of its continuing active program of acquisitions. This year, sales and earnings have increased sharply over depressed 1958, and the dividend was recently raised to $1.20 for a yield of 4.8% at a recent price of $25 per share. At present, order backlogs are up, ana profit mar-

Stocks Reporting Improved Earnings In Retarded Industries

	1958 Net Earnings Per Share	3rd Quarter Net Earnings Per Share 1958	1959	1st 9 Months Net Sales 1958 (Millions)	1959	Net Earnings Per Share 1958	1959	Price Earnings Ratio Estimated 1959	Recent Price	Indicated 1959 Dividend (*)	Div. Yield %
Anaconda Co.	$3.16	$ .80	$1.16	$ 30.9	$ 88.9	$1.80	$4.40	12.6	63	$2.50	3.9
Cessna Aircraft Co.	5.62	1.71[1]	2.25[1]	66.6[2]	77.3[2]	4.16	6.17	13.2	93	2.00	2.1
Chicago Pneumatic Tool	1.72	.37	.51	54.1	60.7	1.21	1.44	12.2	27	1.12	4.0
Halliburton Oil Well Cem.	3.38	.93	1.08	130.8	143.8	2.54	2.93	12.2	49	2.40	4.8
Marquette Cement	3.26	1.31	1.56	39.8	44.1	2.60	3.02	13.8	49	1.80	3.6
Richfield Oil	5.00	1.21	1.86	193.3	201.7	3.82	4.51	13.8	74	3.50	4.7
Ruberoid Co.	2.86	.89	1.01	90.6	97.9	1.80	2.55	13.0	39	2.20	5.6
Westinghouse Air Brake	2.10	.33	.71	158.8	145.8	1.50	1.82	2.85	28	1.20	4.2

*—Based on latest dividend reports.

1—3rd fiscal quarter ended June 30.
2—9 months ended June 30.

gins are widening on expanding volume and price increases. Earnings for the fiscal year ended September 30th were $2.71 per share, an improvement of about 129% over the $1.21 reported for the 1958 fiscal year. Favorable comparisons are expected to last at least through March of next year. Burlington is selling at just over nine times the current rate of earnings and is in line with other better situated textile manufacturers.

Clevite Corp: Last year, some 40% of the company's sales of $63 million were derived from automotive lines, 30% from electronics, and the remainder from a broad list of other outlets. This year all divisions of the company are doing better as witnessed by an improvement in earnings for the first 9 months of 130%, with results for the full year estimated at around $3.00, or up 88% over last year's $1.60. The stock is selling currently at little more than 13 times these projected results for 1959.

Columbian Carbon, in addition to being an important producer of carbon black (used in the manufacture of auto tires) and printing black, occupies a growing position in oil and gas, and the Company is participating in a joint venture in Canada with Tidewater Oil. Over the near term, carbon black sales should be at a favorable level reflecting increased tire production. Sales of printing carbon should rise to correspond with the increase of linage in publications. On this basis and assuming no material change in the rate of oil and gas write-offs, earnings for 1959 are estimated at $3.60 per share versus $2.46 last year. Over the longer term, earnings growth should be aided as the company develops its proven reserves.

Crane Company is an important producer of plumbing fixtures, heating appliances and high-quality valves. As a result of a recent change in top management, the Company is eliminating certain unprofitable operations and lines, and broadening its earnings base. These moves should at least offset the competitive and somewhat cyclical nature of the company's business. Due to an increase in capital outlays by industry and with residential construction activity still at a good, though receding rate, net income in 1959 should be well ahead of the $2.12 reported last year quite apart from a better-than-30% reduction in the number of common shares outstanding. (This move, incidentally, is part of the management's concerted program to improve the capital structure of the Company.)

Fansteel Metallurgical produces and refines the non-ferrous refractory metals tungsten, tantalum, molybdenum and columbium. These esoteric items have produced practical benefits for stockholders this year in the form of an increase of over 150% in earnings for the first nine months. Fansteel's metals end up in many applications including electronic, chemical and petrochemical manufacturing; the main products of the company are electrical contacts, selenium rectifiers and high density alloys. The stock offers a direct stake in the popular electronics group, for it provides that industry with many of its most basic tools. It is estimated that Fansteel will close out the current year with earnings in the neighborhood of $3.25 per share which would compare well with $1.62 earned in 1958. In 1960 the company hopes to see operations expand to full capacity, and with several new processes expected to bring in results, we would look for earnings in the next year to show further progress.

Ferro Corporation is the largest producer of porcelain enamel and has entered such new fields as fiberglass, colorants and curtain wall construction panels. Over 50% of revenues are derived from the booming overseas market. From a level of $2.76 per share in 1958, earnings have picked up sharply; on the basis of an improvement of 100% in net for the first nine months, we feel that full year results should easily approach the $4.50 area. On this basis, the stock at a recent price of 42 is selling at less than ten times estimated full year results. The 40 cent payment for the final quarter indicates a $1.60 rate in the previous year. While the Company is not in a particularly exciting field,

Companies Whose Earnings Increased 100% Or More To-date In 1959

	1958 Net Earnings Per Share	3rd Quarter Net Earnings Per Share 1958	3rd Quarter Net Earnings Per Share 1959	1st 9 Months Net Sales In Millions 1958	1st 9 Months Net Sales In Millions 1959	1st 9 Months Net Earnings Per Share 1958	1st 9 Months Net Earnings Per Share 1959	Price Earnings Ratio Estimated 1959	Recent Price	Indicated 1959 Dividend (*)	Div. Yield %
Burlington Industries	$1.21	$ —	$ —	$651.4[1]	$805.4[1]	$1.21[1]	$2.71[1]	8.6	25	$1.20	4.8
Clevite Corp.	1.60	.49	.73	46.9	62.4	1.08	2.51	12.6	40	1.20	3.0
Columbian Carbon	2.46	.53	1.08	47.4	55.2	1.46	3.24	13.4	47	2.40	5.1
Crane Co.	2.12	.08	1.23	248.1	238.4	.59	2.64	16.7	67	1.60	2.3
Fansteel Metallurgical	1.62	.13	.71	18.8	23.2	.92	2.37	20.9	64	1.00[2]	1.5
Ferro Corp.	2.76	.68	1.10	40.2	47.2	1.77	3.52	10.0	42	1.60	3.8
Lowenstein (M.)	.57	.11	.40	323.6	324.6	.42	1.07	10.2	18	.80	4.4
Rheem Mfg.	.12	.03	.52	110.8	111.7	d.23	1.18	14.0	21	.60	2.8

d—Deficit.
N.A.—Not available.
*—Based on latest dividend reports.
1—Fiscal year ended September 30.
2—Plus stock.

it should benefit from the European Common Market's prosperity and the widening use of fiberglass.

M. Lowenstein & Sons, in line with the overall recovery being experienced within the recently depressed textile industry, has had a whopping 160% increase in earnings in the first nine months of 1959 as compared with the same period of last year. Order backlogs are expanding and demand prospects continue favorable; these factors coupled with better volume, higher prices and resultant widened profit margins suggest that earnings for the full year could be close to $1.70 a share. Textile men seem to feel that the industry has profited from the lessons of the past, and that it will make every effort not to over-produce and recreate enormous imbalances. It this turns out to be true, the industry can probably avoid the difficulties that have beset it in the past.

Rheem Manufacturing, an old-line producer of automatic storage water heaters, air conditioning equipment, plumbing fixtures and other items, beginning two years ago under the guidance of new management, effected a number of changes which hold promise today of having the desired result of improving earning power. Recent acquisitions coupled with an anticipated improvement in the company's basic business lead us to estimate 1959 earnings of close to $1.50 per share versus 1958's showing of $0.12 per share. Rheem has at least two sources of important future revenues. The first is an electronics division, the second a food-packing unit. 1960 should see a solid improvement in earnings and a liberalization of the present modest $0.60 dividend. At a recent price of 21, Rheem sells at 14 times estimated 1959 results.

Stocks Reporting Improved Earnings in Retarded Industries

Anaconda Copper is the world's second largest copper producer and is believed to own over 40% of the total world reserves. Anaconda is also an important factor in both uranium and aluminum. The Company can, in addition, lay rightful claims to being the nation's leading fabricator of non-ferrous metals. Earnings have staged a substantial recovery this year because of the improvement in copper prices coupled with notably higher sales. The yield is 3.9% in view of the $1.00 final quarterly dividend declared, bringing 1959 payments to $2.50 per share.

Cessna Aircraft has risen from a 1959 low of 43¾ to the recent price of 93 on the basis of growing investor recognition of the increasing importance of the private plane as an adjunct to the nation's transportation system, coupled with the industry's brightened earnings picture. Cessna's sales have increased from $7 million in 1950 to an estimated 1959 sales of $100 million during which time earnings have increased from $0.28 to this year's estimated $7.00. Private flying which had high hopes of becoming a booming industry after World War II went into a tailspin because of the industry's emphasis on the small, inexpensive sports plane rather than the executive plane with commercial application in industry. As more of the air-minded World War II veterans become important cogs in the business world, the trend to company-owned aircraft should continue. Cessna makes the largest and most diversified line of small planes in the industry. Through its Aircraft Radio Division, the Company has a stake in various types of electronic navigational and radio aids. Military business accounts for less than 50% of sales. Stockholders will vote Jan. 26, 1960 on proposed 2 for 1 stock split.

Chicago Pneumatic Tool is in the highly cyclical machine tool industry. Its area of concentration is in pneumatic and electrical industrial machinery and drills. The company's customer list includes the aircraft industry, the automobile industry, construction, machinery, oil, railroads, steel, electronics and chemicals. On an anticipated sales recovery of around 20% over last year, earnings are expected to rise from $1.72 in 1958 to around $2.15 for the fiscal year *(Please turn to page 326)*

FOR PROFIT AND INCOME

Sure Thing?

Is year-end improvement in stock prices a sure thing? Well, not as sure as death or taxes; but the record shows it to have been as reliable as anything about the stock market can be. In the history of the Dow industrial average, December lows have been exceeded by highs in the first half of January in 60 out of 61 years. The exception was the 1926-1927 year end, with the first-half-January high less than 1/8 point under the December low. However, we repeat that the record is of little practical use to investors, because nobody can foresee the timing of year-end lows or highs, or the scope of possible advance.

Policy Shift

On balance, third-quarter common stock buying by investment companies was roughly 35% less than in the second quarter and 50% less than in the first quarter. Balanced funds added to holdings of bonds and short-term Treasuries. But, as indicated by ratio of purchases of mutual-fund shares to redemptions, the public remained more bullish than the fund managers. On balance, the funds were relatively heavy buyers of automotive issues and chemicals in the third quarter; sellers of farm equipments, aircrafts, air lines, drugs and oils. The two most heavily sold stocks were American Telephone and United Aircraft. What is the consensus of fund-manager thinking now? You can't know until their fourth-quarter reports are released. Probably it is somewhat cautious in general, as selective as heretofore in particulars.

Aftermath

It is not surprising that the funds have been taking profits in American Telephone, since they are more interested in capital gains than income. Anticipation of the ATT split and higher dividend proved profitable. But the stock subsequently reverted largely to its normal status as a relatively sedate income issue, as it was bound to do. At recent low it was off over 15% from its 1959 high.

Coca-Cola

While surprising, the recently

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1959	1958
Air Reduction	Quar. Sept. 30	$ .93	$ .83
Celanese Corp. of Amer.	Quar. Sept. 30	.57	.43
Champion Paper & Fibre	Quar. Sept. 30	.58	.36
Daystrom, Inc.	Quar. Sept. 30	.48	.23
Electric Storage Battery	Quar. Sept. 30	.84	.43
Freeport Sulphur	Quar. Sept. 30	.54	.41
Mc Kessan & Robbins, Inc.	Quar. Sept. 30	.74	.59
Northwest Airlines	9 mos. Sept. 30	3.17	2.31
American Machine & Metals	Quar. Sept. 30	.79	.48
General Cigar Co.	Quar. Sept. 30	1.05	.49

proposed 3-for-1 split here was not unprecedented, unlike the Telephone split. There were stock dividends of 100% in 1929 and 300% in 1935. Coca-Cola was a prime growth stock for decades —until the company failed to adjust adequately to post-war cost-price inflation and altered competitive conditions. Its policy is somewhat more flexible now. Estimated around $7.80 a share for 1959, profits are improving at a moderate rate; but remain under the old peak of $8.76 reached in 1949, when dividends totalled $6.00. They have since been at $5.00—$4.00 regular and $1.00 year-end extra—for an extended time; but have been raised to $6.50 for 1959 by a $2.50 year end. The latter is justified more by heavy cash holdings than by the thus far limited change in earnings. The stock has yet to equal the old high of 183 seen in 1948. It ran up to 169 on the split news and is now at about 161. Yield on a $6.50 basis is about 4%. We believe it remains mainly an income stock; and we prefer regular dividends on income stocks to regulars plus year-end extras which may or may not continue. With the good news out, a further corrective phase seems more likely than an extension of the stock's rise.

Revlon

Recommended here earlier at what proved to have been an advantageous level, Revlon rose to a 1959 high of 63¾; and has since declined to about 51 at this writing. Much of the damage followed recent adverse publicity concerning two abandoned TV quiz shows which had wide earlier audience coverage under Revlon sponsorship. We doubt that this will significantly affect sales or earnings, which will set records again this year, with net probably close to $4.20 a share, against 1958's $3.75. The dividend is $2.00, raised not long ago from $1.80. The management is aggressive, smart in merchandising, still expansion-minded. On the limiting side, there is a longer-range question of perhaps too much dependence of the company on one top officer. We would not sell the stock here. It should rally.

Cross-Currents

In a mixed, somewhat sluggish market as of this writing, performance of the following groups is better than average: auto parts, building materials, food brands, gold mining, meat packing, paper and television-electronics. Current behavior is poorer than average in the following groups: aircrafts, airlines, aluminum, chemicals, copper, drugs, finance companies, farm machinery, industrial machinery, metal fabricating, motion pictures, oils and railroad equipments.

Strong Stocks

Individual stocks in currently-indicated uptrends include American Broadcasting - Paramount, Ampex, Armour, Automatic Canteen, Beech Aircraft, Carter Products, Crane, Cessna, Eastman Kodak, Federal Mogul, Litton, Oliver, Piper Aircraft, McKesson & Robbins, Polaroid, Reynolds Tobacco, Robertshaw - Fulton, Schering, Sears Roebuck, and U. S. Freight.

Poor

The current performance of the following stocks is poorer than average: Alco Products, Allied Mills, American Airlines, Atchison, Bliss, Braniff, Capital Airlines, Carrier, Carpenter Steel, Brown Shoe, Celotex, Columbia Pictures, Combustion Engineering, Continental Can, Food Mart, Freeport Sulphur, General Bronze, Granby, Halliburton, Household Finance, Joy Mfg., Kress, Lone Star Gas, Mallory, Quaker Oats, United Fruit, Worthington and Wrigley.

Revolution

Only a very rich company can afford to make a $250 million mistake, as Ford did in developing its now abandoned Edsel car. The Edsel is the first casualty in today's automobile revolution, in which the market for so-called medium-price cars is contracting, that for lower-price cars expanding. Edsel will not be the only one to fade away. Some other medium-price models of each of the Big Three makers are not selling well. It remains to be seen whether these companies' partial shift to "compact" cars will add to over-all earning power. Keep in mind that it was made reluctantly as a defensive competitive move.

Coppers

The market assumes that most of the lost steel production will be made up in 1960 and that profits will be good. So this stock group is only moderately under its high. It is different with the copper strike situation. Due to the domestic mine stoppage, supply is tight; but increased imports have filled much of the gap. There is excessive world capacity. After the U. S. strike, supplies will be more than ample, prices soft. Copper stocks continue to perform relatively poorly. At this time, conditions under which they might rise significantly are not foreseeable.

Gold Stocks

From time to time gold stocks get a speculative play—so far failing to add up to a rising trend —on the possibility of ultimate revaluation of the dollar. Nobody can say for sure whether it will come or when. If it comes, however, we doubt that anybody will be allowed to profit via ownership of shares of U. S. gold mining companies. It would be simple to tax away the increment in mining profit caused by a higher gold price. You would have to look abroad to hedge against dollar devaluation. The pitfalls involved are numerous.

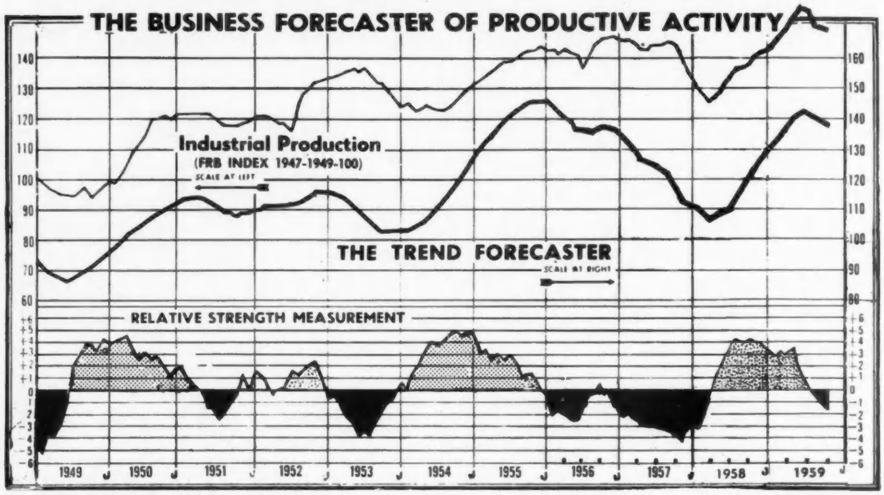
DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1959	1958
Alco Products	Quar. Sept. 30	$ .32	$ .40
Bell Aircraft	9 mos. Sept. 26	.56	1.26
Kaiser Alum. & Chem.	Quar. Sept. 30	.05	.40
Savage Arms Corp.	Quar. Oct. 3	.34	.42
Standard Oil Co. (Calif.)	Quar. Sept. 30	.98	1.12
Aluminum Co. of America	Quar. Sept. 30	.56	.62
Copperweld Steel	Quar. Sept. 30	.59	.80
Foote Mineral Co.	9 mos. Sept. 30	.89	1.31
Island Creek Coal Co.	9 mos. Sept. 30	.81	1.26
Texas Pacific Coal & Oil	Quar. Sept. 30	.40	.49

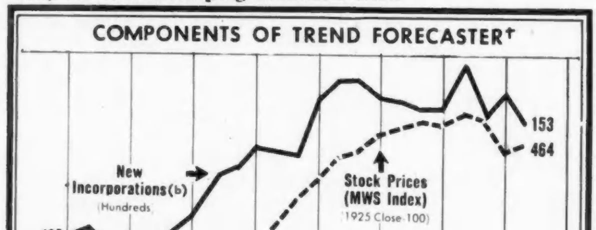
the Business

Business Trend Forecaster*

INTERESTING TO NOTE — The rise in industrial production line between 1956-57 was offset by economic decline in that period, accurately forecasting heavy inventory accumulations.



***With the many revolutionary changes in our economy, it was evident that various indicators previously used should be dropped and new ones substituted, in order to more accurately forecast developing business trends.**



(†)—Seasonally adjusted except stock and commodity prices.
(a)—Computed from F. W. Dodge data.
(b)—Computed from Dun & Bradstreet data.

This we have done in our *Trend Forecaster* (developed over a period of several years), which employs those indicators (see Components of Trend Forecaster) that we have found to most accurately project the business outlook.

As can be seen from the chart, industrial activity in itself is not a true gauge of the business outlook — the right answer can only be found when balanced against the state of our economy. The *Trend Forecaster* line does just that. When it changes direction up or down a corresponding change in our economy may be expected several months later.

The depth or height of the developing trend is clearly presented in our *Relative Strength Measurement* line, which reflects the rate of expansion or contraction in the making. When particularly favorable indications cause a rise that exceeds plus 3 for a period of time, a strong advance in general business is to be expected. On the other hand, penetration of minus 3 on the down side usually precedes an important contraction in our economy.

We believe that subscribers will find our Business Trend Forecaster of increasing usefulness both from the investment and business standpoints.

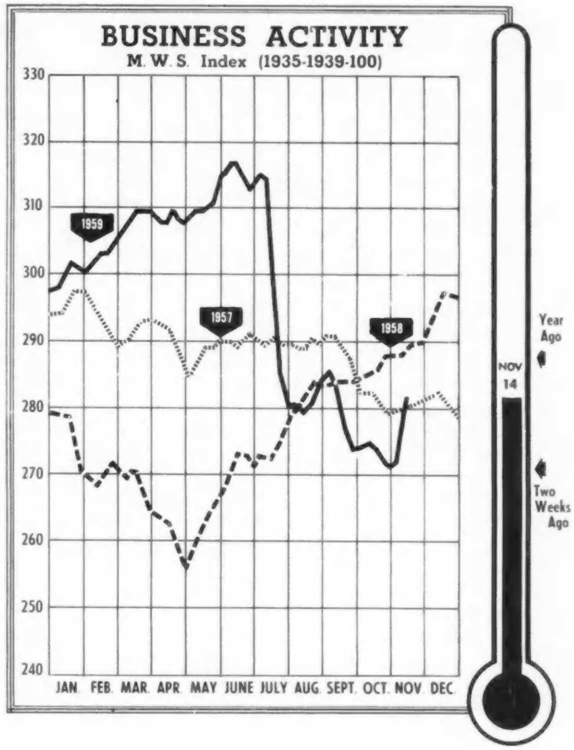
Current Indications of the Forecaster

By October, the latest month for which reasonably complete data are available, the component series entering into the Relative Strength Measure were averaging out to a fairly considerable negative. The Relative Strength Measure itself, which recorded +1.3 in June, has since fallen for four consecutive months, and in October was —1.7.

In recent months, important declines have been recorded by housing starts and average hours worked. In October, commodity prices and business failures improved, and stock prices rose slightly, while new incorporations declined. The rate of nonresidential contract awards was somewhat higher in October after declining for five months.

Interpreting the negative recordings of the Relative Strength Measurement in recent months obviously requires consideration of the temporary impact of the steel strike, which certainly affects hours worked, durables orders, and construction statistics. Resumption of steel output should improve the readings of the Forecaster at least in early 1960.

Analyst



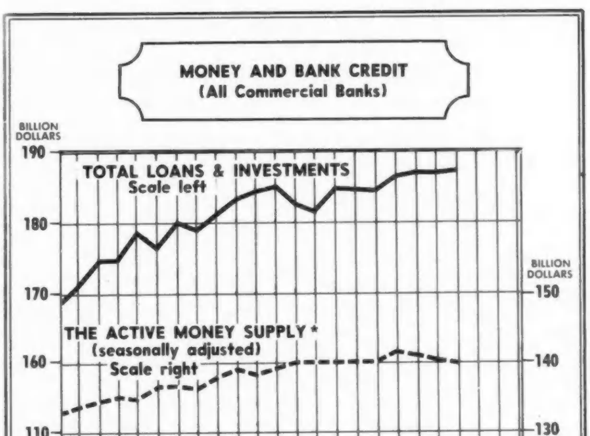
CONCLUSIONS IN BRIEF

PRODUCTION—the weekly rate evidently reached a trough in the first half of November. Currently, rising steel output is offsetting still-declining output in steel-consuming industries. By early December, the general production rate for the whole economy will be rising.

TRADE—after standing up well during the strike, it now shows evidence of considerable improvement except in auto sales, where volume is hampered by shortages. Nevertheless, look for record volume of retail business in December, and substantial new records for the period in the first quarter of 1960.

MONEY & CREDIT—about to enter a new period of even tighter squeeze, as funds pour into inventory loans in durables sector. The period of slight ease late in the steel strike is now over. Interest rate outlook: still higher in the next three months.

COMMODITIES—now about to strengthen as business conditions gather for new advance. Raw materials prices in position for further increases; finished goods prices also to rise. Outlook; moderate but significant rise through first half of 1960.



WITH the return of the steel ingot rate to the 90% range, the outlook for production and trade in the United States economy has obviously turned highly favorable, as long as one can assume that the steel strike will be settled before the end of the Taft-Hartley injunction. Given enough steel, the hard goods sector of manufacturing is virtually assured of a rapid recovery in production, to meet accumulated backlogs over the past several months.

And if one can still believe in the authority of the general business cycle, this spurting recovery in the steel-consuming sector is bound to have a strongly stimulative effect outside the steel and hard-goods area. As automobile workers go back on payrolls, as they are now expected to do by mid-December, purchasing power in the areas surrounding automobile plants will expand, retail sales in a host of lines will improve, and the wave of prosperity, artificial though it may be, will spread and radiate until the business system as a whole is headed upward. This is not forecasting; it is simply spelling out the inevitable consequences of the temporary and artificial contraction of business output and sales in the four months from July to October.

If one looks below the global aggregates of the statistics compiled in Washington, there is every indication that total business activity actually held up very well during the strike. For example, while gross national product as a whole declined about $6 billion (annual rate) between the second and third quarters of 1950, actual final demand for goods and services rose by about $5 billion; that is,

Essential Statistics

THE MONTHLY TREND	Unit	Month	Latest Month	Previous Month	Year Ago
INDUSTRIAL PRODUCTION* (FRB)	1947-'9-100	Oct.	148	149	138
Durable Goods Mfr.	1947-'9-100	Oct.	151	152	140
Nondurable Goods Mfr.	1947-'9-100	Oct.	146	147	134
Mining	1947-'9-100	Oct.	117	116	122
RETAIL SALES*	$ Billions	Oct.	18.3	17.8	16.6
Durable Goods	$ Billions	Oct.	6.3	5.8	5.1
Nondurable Goods	$ Billions	Oct.	12.0	12.0	11.5
Dep't Store Sales	1947-'9-100	Oct.	144	143	135
MANUFACTURERS'					
New Orders—Total*	$ Billions	Sept.	30.6	29.0	27.0
Durable Goods	$ Billions	Sept.	15.0	14.0	12.9
Nondurable Goods	$ Billions	Sept.	15.6	15.0	14.2
Shipments*	$ Billions	Sept.	29.6	29.2	26.8
Durable Goods	$ Billions	Sept.	14.1	14.0	12.7
Nondurable Goods	$ Billions	Sept.	15.5	15.2	14.1
BUSINESS INVENTORIES, END MO.*	$ Billions	Sept.	89.1	89.5	85.0
Manufacturers'	$ Billions	Sept.	51.8	52.1	49.3
Wholesalers'	$ Billions	Sept.	12.5	12.6	12.1
Retailers'	$ Billions	Sept.	24.8	24.8	23.7
Dept. Store Stocks	1947-'9-100	Sept.	161	160	150
CONSTRUCTION TOTAL	$ Billions	Oct.	4.8	5.0	4.8
Private	$ Billions	Oct.	3.4	3.5	3.2
Residential	$ Billions	Oct.	2.0	2.1	1.8
All Other	$ Billions	Oct.	1.4	1.4	1.4
Housing Starts*—a	Thousands	Oct.	1180	1325	1303
Contract Awards, Residential—b	$ Millions	Oct.	1515	1466	1595
All Other—b	$ Millions	Oct.	1620	1592	1714
EMPLOYMENT					
Total Civilian	Millions	Oct.	66.8	66.3	65.3
Non-Farm *	Millions	Oct.	52.6	52.7	51.1
Government *	Millions	Oct.	8.3	8.2	8.0
Trade *	Millions	Oct.	11.6	11.5	11.2
Factory *	Millions	Oct.	12.2	12.4	11.7
Hours Worked	Hours	Oct.	40.3	40.3	39.8
Hourly Earnings	Dollars	Oct.	2.21	2.22	2.11
Weekly Earnings	Dollars	Oct.	89.06	89.47	85.17
PERSONAL INCOME*	$ Billions	Oct.	382	381	364
Wages & Salaries	$ Billions	Oct.	259	259	242
Proprietors' Incomes	$ Billions	Oct.	57	56	59
Interest & Dividends	$ Billions	Oct.	37	37	33
Transfer Payments	$ Billions	Oct.	27	27	27
Farm Income	$ Billions	Oct.	14	13	18
CONSUMER PRICES	1947-'9-100	Sept.	125.2	124.8	123.7
Food	1947-'9-100	Sept.	118.7	118.3	120.3
Clothing	1947-'9-100	Sept.	109.0	108.0	107.1
Housing	1947-'9-100	Sept.	129.7	129.3	127.9
MONEY & CREDIT					
All Demand Deposits*	$ Billions	Oct.	111.9	112.2	110.2
Bank Debits*—g	$ Billions	Oct.	91.9	95.4	87.1
Business Loans Outstanding—c	$ Billions	Oct.	30.5	30.3	N.A.
Instalment Credit Extended*	$ Billions	Sept.	4.1	4.1	3.3
Instalment Credit Repaid*	$ Billions	Sept.	3.6	3.6	3.4
FEDERAL GOVERNMENT					
Budget Receipts	$ Billions	Oct.	3.0	8.5	2.8
Budget Expenditures	$ Billions	Oct.	6.9	6.4	7.1
Defense Expenditures	$ Billions	Oct.	3.9	3.8	4.2
Surplus (Def) cum from 7/1	$ Billions	Oct.	(5.7)	(1.8)	(8.8)

PRESENT POSITION AND OUTLOOK

the decline in inventory demand resulting from the strike was considerably greater than the decline in total output. Similarly, while the Federal Reserve's industrial production index fell somewhat during the strike, the total decline was only fractionally greater than the direct loss of steel; in soft goods lines, and even in some hard goods, production rates in October were as high as or even higher than in June. All of this strongly suggests that as in-process inventories of steel are rapidly rebuilt in coming weeks, one of the most rapid advances in industrial activity on record will shape up for the economy as a whole. How long such a boom can last is a good and pertinent question but there should be no doubt that it will occur, and will put a very favorable coloration on the statistics at least for the first half of 1960.

* * *

THE HOUSING BOOM—1959's blossoming of housing starts has clearly begun to wither on the vine. In October, the seasonally adjusted starts rate fell to 1.18 million, considerably below a year ago and about 200,000 below the rate in July. Responsible is tight money in most parts of the country. However, some part of the latest and most r a p i d monthly decline is owing to the impact of steel shortages on multiple-dwelling construction. This sector of the market has grown considerably in 1959, and is unlikely to show the effects of tight money as quickly as single-family home construction, which is dependent upon smaller loans and less well established credit connections. Nevertheless, experts in the housing field still expect a notable decline in total housing starts next year, and it seems likely that the decline is being underestimated, rather than overestimated.

* * *

PERSONAL INCOME—the figures on the annual rate of income payments to individuals make the point that the steel strike was well cushioned by transfer payments (unemployment compensation, and dissaving on the part of union pension funds, etc.) In both September and October, the rate of personal

QUARTERLY STATEMENT FOR THE NATIONAL ECONOMY

In Billions of Dollars—Seasonally Adjusted, at Annual Rates

SERIES	1959 Quarter III	1959 Quarter II	1959 Quarter I	1958 Quarter III
GROSS NATIONAL PRODUCT	478.6	484.5	470.2	444.0
Personal Consumption	313.3	311.2	303.9	294.4
Private Domestic Invest.	67.0	77.5	69.8	54.2
Net Exports	0.0	—1.8	–0.9	1.6
Government Purchases	98.4	97.7	97.4	93.8
Federal	53.6	53.9	53.8	53.6
State & Local	44.8	43.8	43.8	40.8
PERSONAL INCOME	381.0	381.1	371.8	336.4
Tax & Nontax Payments	45.8	45.8	44.4	42.9
Disposable Income	335.2	335.3	327.4	320.4
Consumption Expenditures	313.3	311.2	303.9	294.4
Personal Saving—d	21.9	24.1	23.5	26.0
CORPORATE PRE-TAX PROFITS		52.6	46.5	38.3
Corporate Taxes		25.6	22.6	18.8
Corporate Net Profit		27.0	23.8	19.5
Dividend Payments		13.0	12.8	12.6
Retained Earnings		14.0	11.0	6.9
PLANT & EQUIPMENT OUTLAYS	34.3	32.5	30.6	29.6

THE WEEKLY TREND

	Unit	Week Ending	Latest Week	Previous Week	Year Ago
MWS Business Activity Index*	1935-'9-100	Nov. 14	282.5	272.4	288.4
MWS Index—per capita*	1935-'9-100	Nov. 14	206.6	199.2	214.6
Steel Production	% of Capacity	Nov. 21	78.9	45.6	74.1
Auto and Truck Production	Thousands	Nov. 21	82	79	172
Paperboard Production	Thousand Tons	Nov. 14	332	319	314
Paperboard New Orders	Thousand Tons	Nov. 14	304	361	284
Electric Power Output*	1947-'49-100	Nov. 14	254.1	251.3	228.2
Freight Carloadings	Thousand Cars	Nov. 14	638	561	644
Engineerings Constr. Awards	$ Millions	Nov. 19	372	444	243
Department Store Sales	1947-'9-100	Nov. 14	167	155	157
Demand Deposits—c	$ Billions	Nov. 11	60.8	60.6	61.1
Business Failures—s	Number	Nov. 12	285	265	274

*Seasonally adjusted. (a)—Private starts, at annual rates. (b)—F. W. Dodge unadjusted data. (c)—Weekly reporting member banks. (d)—Excess of disposable income over personal consumption expenditures. (e)—Estimated. (f)—Estimated by Council of Economic Advisors. (g)—337 non-financial centers. (na)—Not available. (r)—Revised. (s)—Data from Dun & Bradstreet. Other Sources: Federal Reserve Bd., Commerce Dept., Securities & Exch. Comm., Budget Bureau.

PRESENT POSITION AND OUTLOOK

income as calculated by the Commerce Department actually rose slightly, despite the widening impact of the strike. With the strikers back to work, the rate of personal income is likely to gallop uphill for the next several months, with gains in the annual rate averaging close to $4 billion each month. The only big loser in the income account over the past few months has been strangely enough, the farm operators, whose net profit is now reported to be running some 30% behind a year ago, due to a steady drop in agricultural prices.

* * *

THE PRICE TREND—the price outlook is now clearly upward, and perhaps at a fairly rapid pace. It is important to note, however, that this uptrend is cyclical, and intimately related to the artificial boom created by the steel strike. The basic supply-demand relationships in the bulk of major markets are now not such as to support rising prices for any length of time, and the strike-induced price rise about to be experienced could well be running into strong headwinds by mid-1960, if not earlier.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

No. of Issues (1925 Cl.—100)	1959 Range High	1959 Range Low	1959 Nov. 13	1959 Nov 20
300 Combined Average	492.4	436.9	466.3	467.5
4 Agricultural Implements	492.4	356.2	450.5	464.4
3 Air Cond. ('53 Cl.—100)	137.2	110.5	115.3	112.9
10 Aircraft ('27 Cl.—100)	1375.1	1019.1	1092.7	1080.5
7 Airlines ('27 Cl.—100)	1429.4	1079.5	1129.5	1089.6
4 Aluminum ('53 Cl.—100)	594.5	392.0	478.2	465.3
5 Amusements	252.6	200.5	231.4	237.1
6 Automobile Accessories	525.8	413.4	501.8	509.8
6 Automobiles	152.0	93.7	150.1	148.2
4 Baking ('26 Cl.—100)	41.3	38.7	39.8	39.0
4 Business Machines	1395.5	1173.8	1239.0	1252.0
6 Chemicals	835.5	692.9	774.4	767.6
4 Coal Mining	37.8	28.1	35.9	36.4
4 Communications	210.3	164.6	210.3	203.8
9 Construction	178.9	155.6	171.2	171.2
7 Containers	1142.6	988.8	1021.8	1021.8
6 Copper Mining	344.6	280.7	325.1	322.4
2 Dairy Products	163.1	138.8	153.1	156.0
6 Department Stores	141.5	119.1	139.1	139.1
5 Drugs-Eth. ('53 Cl.—100)	475.4	379.5	435.5	443.4
6 Elec. Eqp. ('53 Cl.—100)	335.3	268.8	327.3	332.6
3 Finance Companies	769.7	661.8	676.1	676.1
5 Food Brands	470.0	406.3	434.1	430.2
3 Food Stores	279.6	244.4	252.5	249.8

(Nov. 14, 1936 Cl.—100)	High	Low	Nov. 13	Nov 20
100 High Priced Stocks	306.7	268.4	290.2	292.6
100 Low Priced Stocks	665.9	585.4	629.9	630.5
5 Gold Mining	1005.1	853.0	988.2	1005.1H
4 Investment Trust	190.6	167.0	167.0	167.0
3 Liquor ('27 Cl.—100)	1624.8	1429.2	1459.3	1504.4
8 Machinery	563.2	452.4	501.2	501.2
3 Mail Order	426.1	253.1	414.0	426.1H
4 Meat Packing	269.2	204.4	259.4	269.2H
5 Mtl. Fabr. ('53 Cl.—100)	211.2	181.3	195.4	127.1
9 Metals, Miscellaneous	409.6	343.8	365.7	362.0
4 Paper	1287.1	1170.1	1263.7	1275.4
22 Petroleum	885.5	701.7	710.1	701.7L
21 Public Utilities	365.4	334.9	341.7	338.3
6 Railroad Equipment	104.1	86.9	93.7	95.5
20 Railroads	78.2	66.7	66.7	66.7
3 Soft Drinks	715.1	599.8	715.1	709.3
12 Steel & Iron	476.4	392.5	438.3	445.9
4 Sugar	144.7	91.3	93.9	93.9
2 Sulphur	863.3	580.6	595.9	580.6L
11 TV & Electron. ('27 Cl.—100)	107.1	65.6	103.7	106.4
5 Textiles	259.6	176.6	220.8	222.5
3 Tires & Rubber	281.8	216.1	254.3	250.0
5 Tobacco	194.9	172.9	193.2	191.5
3 Variety Stores	363.9	331.4	347.6	347.6
20 Unclassif'd (49 Cl.—100)	284.9	239.8	256.4	258.8

H — New High for 1959.

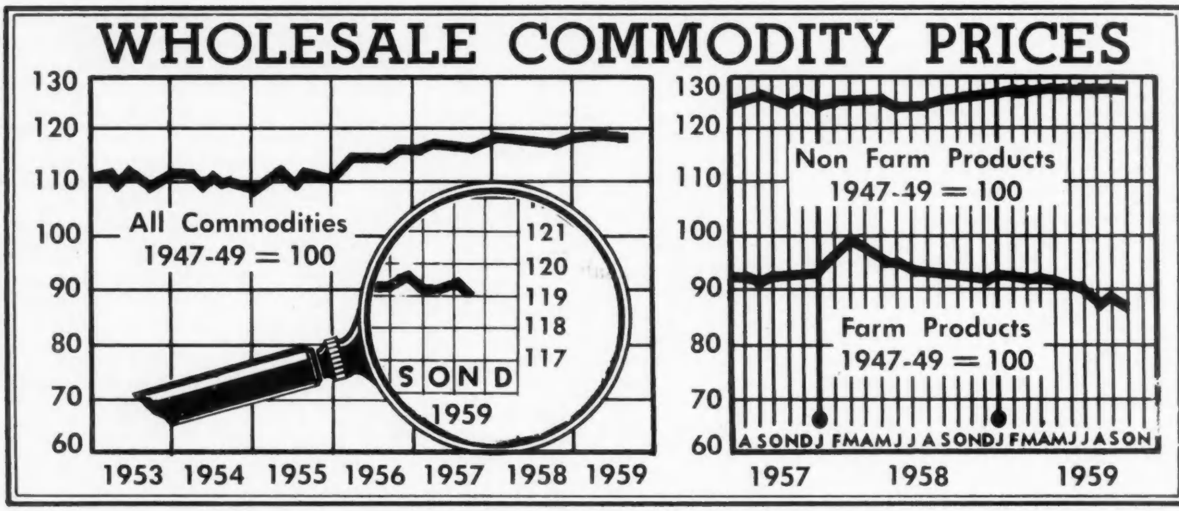
Trend of Commodities

SPOT MARKETS — Sensitive commodities declined in the two weeks ending November 20, with raw foodstuffs in the lead. The BLS daily index of 22 commodities fell 1.6%, with the foodstuffs component off 2.7%. Raw industrial materials gave a better account of themselves, down only 0.6% and almost as many items advanced as declined. On the better side were print cloth, rosin, rubber and tallow. Lower quotations were registered for copper scrap, hides, steel scrap and wool tops.

Among the broad rank and file of commodities, farm products and foods were lower in the two weeks ending November 17, and this accounted for a drop of 0.3% in the BLS comprehensive weekly wholesale price index. The index of all commodities, other than farm products and foods, gave ground grudgingly and can be expected to firm as general business recovers from the steel strike.

FUTURES MARKETS — Most futures markets were slightly lower in the two weeks ending November 20. Corn, soybeans, lard, cottonseed oil, wool, world sugar, coffee, cocoa, copper, zinc and lead, all declined, while only cotton and rubber, among leading commodities, were higher. Mixed trends ruled for wheat, oats and hides, with some options advancing while others declined.

In the wheat market, old crop options all declined slightly, while the new crop months were a bit higher. The export outlook has improved and the recent cold wave may have injured prospects for next year's crop in the southwest. Producers still appear reluctant to offer much wheat and "free" supplies may be tight, later in the season, in view of the heavy movement into the Government loan, wihch appears to be continuing.



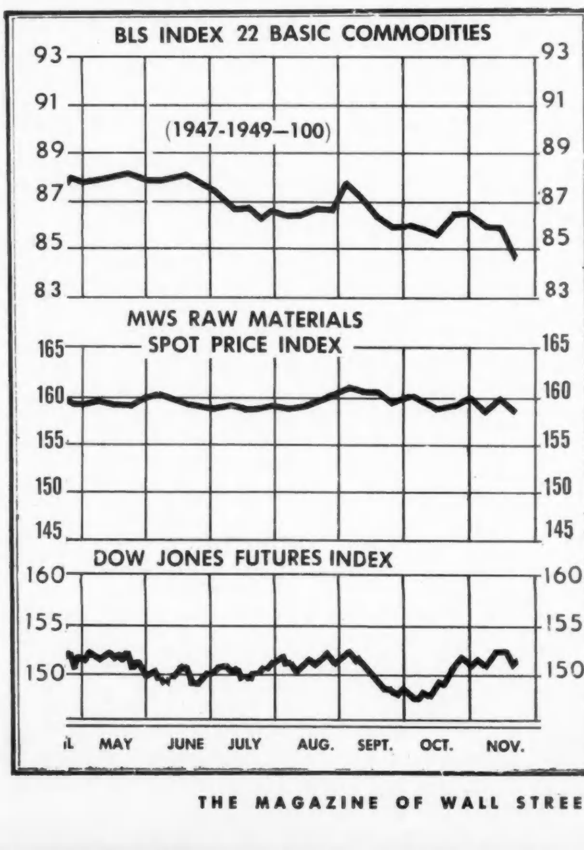
BLS PRICE INDEXES 1947-1949—100	Date	Latest Date	2 Weeks Ago	1 Yr. Ago	Dec. 6 1941
All Commodities	Nov. 17	118.9	119.2	119.2	60.2
Farm Products	Nov. 17	85.0	86.4	92.1	51.0
Non-Farm Products	Nov. 17	128.6	128.7	126.8	67.0
22 Sensitive Commodities	Nov. 20	84.6	86.0	87.9	53.0
9 Foods	Nov. 20	72.6	74.7	83.5	46.5
13 Raw Ind'l. Materials	Nov. 20	94.0	94.5	90.0	58.3
5 Metals	Nov. 20	103.3	104.4	98.0	54.6
4 Textiles	Nov. 20	79.3	79.2	78.6	56.3

MWS SPOT PRICE INDEX
14 RAW MATERIALS
1923-1925 AVERAGE—100
AUG. 26, 1939—63.0 Dec. 6, 1941—85.0

	1959	1958	1953	1951	1941
High of Year	161.4	154.1	162.2	215.4	85.7
Low of Year	152.1	146.5	147.9	176.4	74.3
Close of Year		152.1	152.1	180.8	83.5

DOW-JONES FUTURES INDEX
12 COMMODITIES
AVERAGE 1924-1926—100

	1959	1958	1953	1951	1941
High of Year	152.7	159.0	166.8	215.4	84.6
Low of Year	144.2	147.2	153.8	174.8	55.5
Close of Year		147.6	166.5	189.4	84.1



New Factors That Put Domestic Beet Sugar Industry In A Better Position Today

(Continued from page 303)

offset any deterioration in the quality of the 1959 beet crop, profits ought to be quite close to last year's $2.65 per share. At its recent price of 29, the yield on the indicated $0.30 quarterly dividend is 4.1%.

American Crystal Sugar has nine plants located mostly in Minnesota and California. Its annual slicing capacity of 6 million tons makes American Crystal Sugar a close contender to Holly Sugar for second position on the production ladder. Unlike its two major competitors, American Crystal Sugar raises its own beets along with other crops on its 10,400 acres of farm lands. The bulk of Company's sugar production is distributed nationally in packaged form by brokers and wholesalers. American Crystal's by-products are used in feeding operations conducted at Rocky Ford, Colorado.

American Crystal Sugar attempted earlier this year to eliminate its preferred stock by offering 2½ shares of common for each share of preferred, but this recapitalization plan has been tabled because of the stumbling blocks imposed by Cuban-American Sugar which owns 22.7% of the voting stock of American Crystal Sugar.

Sales of $56.7 million for the fiscal year ending March 31, 1959, were off from the $59.9 million sales of the previous fiscal year because of the elimination of its Oxnard, California plant. Sales for the fiscal year ending March 31, 1960, bolstered by recent purchase of some plants from Holly Sugar, may show some slight improvement over fiscal 1958-1959.

Profits may approximate last year's $4.33. At its recent price of 39, selling nine to 10 times earnings, American Crystal Sugar is in line with other domestic beet sugar producers. The yield based on the indicated $0.45 quarterly dividend is 4.6%.

Amalgamated Sugar is the nation's fourth largest beet sugar producer with gross sales of around $56.8 million and an annual beet slicing capacity of around 4.8 million tons. Amalgamated raises some but purchases the bulk of the beets which it refines in its five plants, two located in Utah, two in Idaho and one in Eastern Oregon. Purchasing contracts afford the farmers a 50% split after some specified expenses. The company conducts livestock operations in Montana and Oregon to help consume its factory by-products as well as the alfalfa and grains grown on its lands. Amalgamated owns acreage along the Columbia basin in Washington where the construction of an additional plant awaits agricultural development of the adjacent areas. Sugar output is packaged and marketed under the name of White Satin. Amalgamated Sugar's sales have trended upward from $32.9 million over the last decade. Sales for the fiscal year ending September 30, 1959 may be somewhat under the previous year's sales, due to a lower marketing allotment and lower average selling prices for the first six months of 1959. Profits may also be a shade under last year's $4.57, but ample nevertheless to cover the $2.25 annual dividend consisting of $0.50 quarterly payments and $0.25 extra. The yield at Amalgamated's recent price of 50 is 4.5%.

Utah-Idaho Sugar with operating income of $5.5 million for the fiscal year ending February 28, 1959 is one of the larger American beet sugar producers. Company's seven plants are located in Utah, Idaho, Washington and North Dakota. Utah-Idaho grows its own beets on its approximate 10,000 acres of farm land along with some other crops such as potatoes and fertilizer plants.

With the present domestic acreage allotment and the probable continuation of firm prices, Utah-Idaho Sugar Company's sales and profits for the fiscal year ending February 1959 should equal last year's sales and net per share of around $0.75. At its recent price of 7½ the stock is selling around ten times such earnings and yielding an attractive 5.3% on its annual $0.40 payout. END

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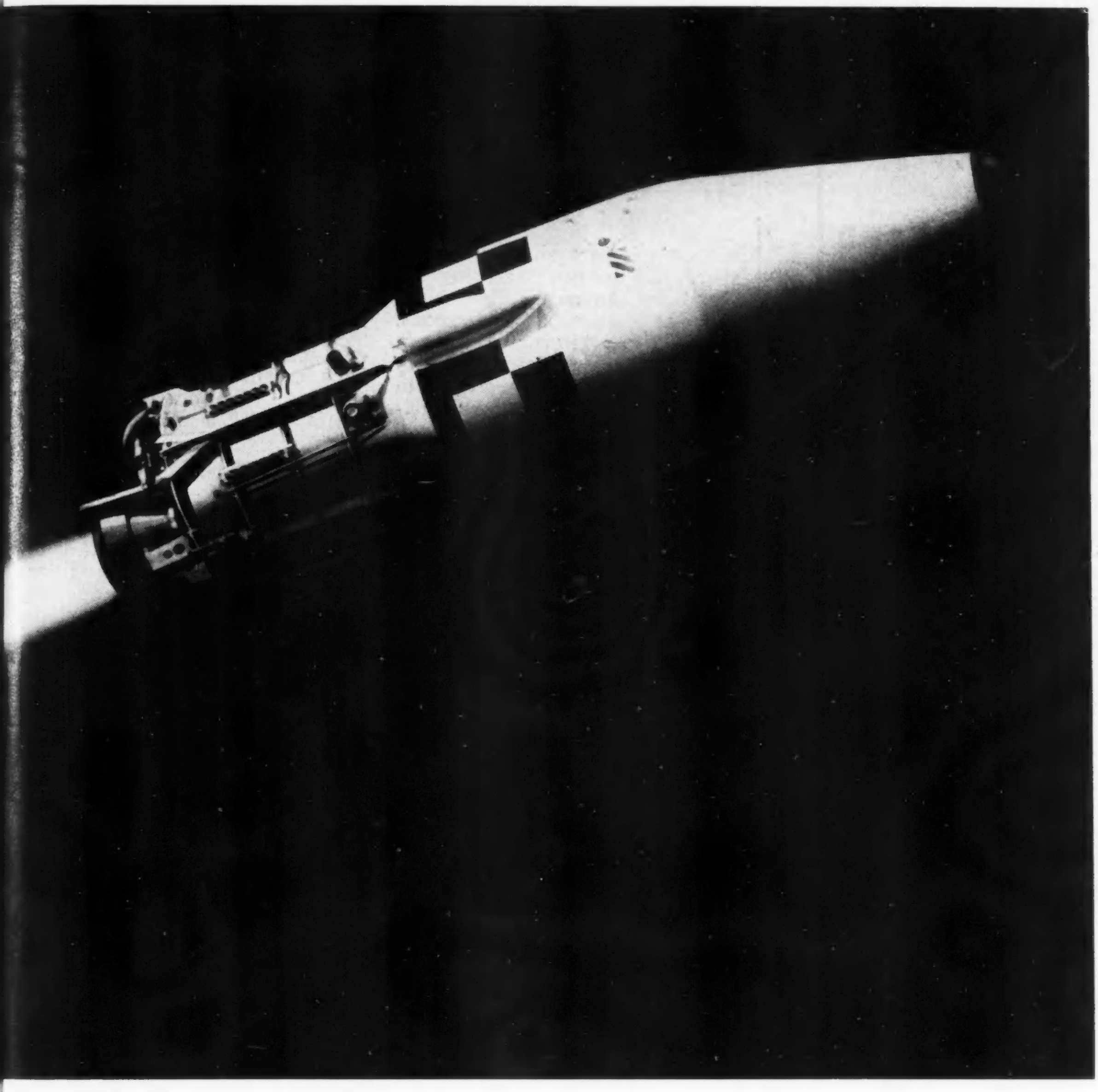

The Agena is the largest and heaviest true satellite the U.S. has ever put on orbit. It is the only satellite that can be put on a precise, predicted orbit...that can be controlled while on orbit...that can eject a recovery capsule. It can carry a wide variety of very heavy and specialized payloads. The Agena satellite is used exclusively in the Discoverer Program—America's foremost effort to probe the mysteries of space—directed by the Advanced Research Projects Agency and managed by the Ballistic Missile Division of the Air Force. Lockheed is prime contractor and system manager.

LOCKHEED

JET TRANSPORTS • JET FIGHTERS • JET TRAINERS • COMMERCIAL & MILITARY PROP-JET TRANSPORTS • ROCKETRY
BALLISTIC MISSILE RESEARCH & DEVELOPMENT • WEAPON SYSTEM MANAGEMENT • ANTI-SUBMARINE PATROL AIRCRAFT
NUCLEAR-POWERED FLIGHT • ADVANCED ELECTRONICS • AIRBORNE EARLY-WARNING AIRCRAFT • AIRPORT MANAGEMENT
NUCLEAR REACTOR DESIGN & DEVELOPMENT • GROUND SUPPORT EQUIPMENT • WORLD-WIDE AIRCRAFT MAINTENANCE

Confidence in De Gaulle-Adenauer Leadership Strengthens Hope for Common Market Tariff Liberalization

(Continued from page 297)

economy is in a sharp upswing, there will be an increasing demand for America's raw materials and manufactured goods. However, as internal European trade barriers go down and production goes up, competition to American manufacturers obviously will increase.

The degree of this competition is the sticking point. There will be arguments on how good, or how bad it is, until there is a chance to note an observable trend. Government people are convinced, possibly somewhat optimistically, that the increased buying power of Western Europe will leave plenty of room for buying more rather than fewer high priced American products.

The common external tariff will find the Benelux nations—Belgium, the Netherlands and Luxembourg—raising their rates, West Germany keeping hers about the same and France and Italy lowering theirs.

US Manufacturers Abroad—Now Compete With Home Market

Many American companies have adopted the line that "If you can't lick 'em, join 'em." Scores of firms have established branches right within the Common Market area itself, spending billions to compete with Western European manufacturers on their own terms, with European labor. Some, with automobiles the most obvious example, have met with some success in "exporting" their European-made models back to the United States to compete with their own American-made lines.

Many businessmen, naturally, look at the Common Market somewhat differently. They see higher barriers to their goods while European competitors keep cutting production costs with modernization and more efficient marketing practices. Many with no markets abroad are simply concerned about competition in the United States from European imports. Some have been concerned about this for years, of course, particularly in the textile and chemical fields.

Much will depend on government policy, and this policy at the moment is to continue a liberal trade policy with a string attached to it. The United States believes in the Common Market and openly supports it. But it wants it clearly understood that this country will object to any but a liberal policy in return from the six-nation area. This policy was enunciated most clearly, perhaps, by Undersecretary of State Douglas Dillon in a speech to the recent GATT meeting in Tokyo, regarding the orientation of the rest of the world with the Common Market

Everyone Wants to Get Into the Act

The government is waiting to see the final product of the Outer Seven before passing judgment on this group. There are rumblings, however, that some officials are beginning to question the growth of regional trade organizations. Besides the big two, several South and Central American countries have discussed such a setup. As one official put it, "One orange tastes good, two are all right, but three can make you sick." The government feels it can get along with the one group—the Common Market—without much trouble. Besides, it strongly favors the political aims as a stabilizing factor in the West's struggle to compete with world communism.

But the government experts and policy-makers want to make sure the U.S. doesn't wake up one morning and find itself isolated in a world full of regional organizations, each self-sufficient to the degree that it doesn't need or want U.S. products. They agree this is probably unlikely. But they intend to make sure it doesn't happen.

That is why officials are anxious that both the "Inner Six" and Outer Seven are kept in line with the liberal trade policies of GATT. GATT's provision for regional trade organizations sets up rigid conditions to insure non-discrimination. So far, the Common Market has faithfully abided by these conditions. *The U.S. wants to make sure the Outer Seven does the same thing in both principle*

and practice. All of these policies point to the importance of next September's GATT negotiating sessions. They appear to be the most important to the course of world trade in decades.

Government Fights for Liberal Trade Policy

The government stands ready to help businessmen and traders who feel the pinch of discrimination and competition from abroad. Officials are anxious to find out what areas need the most attention in the upcoming tariff talks. They want to do all they can to convince other countries the best course is to keep the bars to U.S. products down. These American officials genuinely fear the alternative.

They believe the abandonment of a liberal trade policy and a return to high tariffs in this country as a retaliation for discrimination abroad would be disastrous for all the world in general and the U.S. in particular. They note that more than four million persons have jobs directly tied to trade abroad. Billions are invested abroad, and the figure is going up constantly.

A return to high trade barriers would be the quickest way to endanger those investments, officials feel, and, therefore, everything possible should be done to keep the flow of trade increasing. The government now believes this flow will, or at least can, continue to increase. *But they warn that if it doesn't, and if more and more American businessmen are cut out of foreign markets and face stiffer competition at home from foreign-made products, the political drive for a return to protectionist tariff policies would be impossible to stop.*

This, probably, is one of the chief dangers to the Common Market—a danger the six nations themselves can prevent. The other dangers seem rather dim at present. But they are none-the-less there—if below the surface at the moment. *Inflation is the biggest potential danger to the plan. Inflation in one country would create problems in all.* It would inevitably lead to a loss of reserves and to a demand for quotas. This would bring retaliation. The biggest hope is that Europe is general has seen in the recent past how inflation can destroy pros-

perity and will therefore take the steps needed to prevent it. France has already done so. And this has encouraged many.

Common Market supporters, who wondered what would happen when de Gaulle came to power, now wonder what will happen if death should ever break up the de Gaulle-Adenauer partnership. Both are lone wolves, politically. Neither has done much to encourage successors. Indeed, Adenauer gave up his idea of becoming President and decided to run again for the more important post of chancellor when he felt his policy might be abandoned by Economic Minister Ludwig Erhard in favor of the British plan. The same holds true in France. There is no one on the political horizon who could hold together the essentially diverse elements of French politics if de Gaulle were no longer President.

Also, the beginning of the external tariff is expected to create a problem in the Benelux nations. These nations, which have had virtual free trade for nearly a decade, will be forced to raise their tariffs. This will mean their businessmen will be paying more for the raw materials they must purchase abroad. Production costs will go up and their competitive position may well suffer.

However, for the immediate future, all Common Market decisions on economic policy must be unanimous, and observers are convinced that having gone this far in their economic integration, the six are not likely to stop and turn back—even in the face of a downward swing of the business cycle.

In summary, then, the Common Market appears a distinct success for the six participating countries. Time, and the ability of the six to continue their liberal trade policies, will tell the story, and the Common Market may turn out to be a miracle for all. If not, it could well be a monster. END

Nineteen Sixty — A Year Of Many Uncertainties

(Continued from page 284)

ing, in order to purchase new cars, to increase the ratio of repayments to income a little more. If they do, and we are inclined to doubt that they will, total new car sales next year may approximate the automobile industry's estimates.

In this event, sales of other types of consumer goods—probably soft goods—will suffer, and the additional heavy load of consumer indebtedness will pave the way for a serious setback in general business activity in 1961 and possibly 1962.

The old adage that one cannot have his cake and eat it, too, still holds true.

Excess Factory Capacity

Business spending for new plant and equipment will rise sharply next year, according to a recent private survey. Since capital spending tends to lag behind general business activity on both upturns and downturns, increased spending is no guarantee that 1960 will be a good year for business generally.

We call attention to this in view of the fact that there has been some fresh talk recently of the "multiplying factor" of capital spending. If there are any lingering doubts as to the role of capital expenditures for new plant and equipment, reference to the data will show that expenditures in 1957 moved up to an all-time high while the 1957-58 business recession was well under way.

Capital spending in 1960 may approximate $35.5 billion, on the SEC-Commerce Department basis of estimating, as compared with $32.3 billion this year. The indicated 1959 total is less than the official estimate made some time ago, since it appears that the steel strike resulted in some deferment of projected 1959 spending.

In 1956, capital spending rose sharply to $35.1 billion and rose again the next year to the all-time high of $37 billion. But, in 1958, it fell to $30.5 billion.

We are less concerned with the figures, however, than with the apparent fact that American industry, already burdened with excess capacity as a result of the huge capital expenditures of recent years, is busily engaged in adding still more capacity.

There is considerable concentration, to be sure, in labor-saving equipment as opposed to additional plant, but that does not alter the fact of excess capacity.

Business Very Vulnerable

Business activity generally has become very vulnerable as a result of industry overcapacity, and is becoming increasingly vulnerable as a result of maintained high level capital spending.

Durable manufacturers' backlogs of unfilled orders for goods, which usually have risen sharply during periods of business recovery from recession, have been increased only moderately since the early Fall of 1958. In fact, measured relative to sales, they have declined to the lowest levels in a number of years as can be seen from the table on page 283.

The reason for this is the fact that shipments of durable goods have lagged only slightly behind the sharp rise in new orders that began early in 1958.

This is something new in our economy and undoubtedly reflects the sharp expansion in productive capacity resulting from the huge 1956 and 1957 capital spending programs.

Durable goods manufacturers now are equipped to turn out goods so fast, and in such large volume that they have become highly dependent upon a constant flow of new orders in order to maintain activity beyond a very few months.

A number of important industries, including machine tools and electrical machinery, that formerly were accustomed to have back orders on their books equivalent to many months of production, now have orders equal to only a few months' production.

Once the flow of new orders begins to decline, as it invariably does at some point following a long and sharp rise, these durable goods manufacturers will be forced to reduce operations rather quickly in line with new orders.

This is in distinct contrast to the past when numerous durable goods manufacturers, with many months of business on their books, were able to maintain operations at high levels for long periods after new orders began to decline.

Since the durable goods section of industry is one of the major components of our economy, its current and increasing vulnerability—as a result of excess capacity and ability to produce more rapidly than ever before—appears to have rendered business activity as a whole subject to quicker and deeper declines.

Thus, one more imponderable is added to the 1960 business outlook.

The Inventory Problem

The uncertainty surrounding the outlook for business activity next year is at least thrice confounded by the business inventory situation.

There is no question about the fact that the sadly depleted inventories of steel and of numerous products of which steel is a component will have to be built up to something like "normal" in the period that lies ahead.

Conservatively, this will require at least six months of high level steel activity. Some estimates run as high as a year.

Business inventories of various kinds, depleted during the 1957-58 recession and for several months after business activity turned upward, have been built up considerably over the past year. The steel strike cut into total business inventories to some extent, but not sufficiently to alter the picture of a very substantial post-recession inventory buildup.

Apart from steel, some economists are becoming worried over the size of business inventories. Other economists maintain, however, that business inventories are very small relative to sales, and insist that those who are worried about the size of inventories have failed to take into account the sharp increases in sales volume that have accompanied the recovery from recession.

Furthermore, they claim, business inventories can and should be increased substantially more to meet the larger volume of sales expected in 1960; the concept of a "favorable" inventory position must be raised, they say, as business expands.

We agree to the extent that we know that sales cannot be made from bare shelves. An inadequate inventory can hurt sales.

At the same time, recognition must be given to the fact that a favorable inventory-sales ratio can turn unfavorable in short order when sales fall off. Inventories are "sticky," and goods frequently tend to pile up fast when sales fall off only a little.

A general increase in business inventories to more normal relationships with sales undoubtedly would contribute in some measure to heightened general business activity next year although, at the same time, such increases in in-

ventories undoubtedly would increase the vulnerability of business to any slowdown in sales volume.

Many business men, burned by the 1957-58 recession, may be determined to hold down their inventories, even at the risk of losing sales.

That may well be, for some companies. It has been noted, however, that inventory-sales ratios are very low for manufacturers, wholesalers, and retailers. Even in view of our increased ability to produce goods rapidly, inventories look small and this may offset unfavorable factors to some extent. END

9 Sound Stocks Suitable For Averaging

(Continued from Page 306)

160. Selling at about 45 times earnings, it seems already to have discounted its prospects for some time ahead.

Merck & Co. is a well-known producer of fine chemicals and bulk medicinals. In 1958, vitamins, diuretics and steroid hormones accounted for 54% of total sales. Diuril, a new product with important applications in treating high blood pressure and heart disease, was introduced last year. It will probably contribute better than 10% of 1959's estimated sales volume of $217 million. Decadron, a new steroid hormone, released late last year is now the volume leader among corticosteroids. The Sabin live-virus polio vaccine has been produced and may be available commercially in 1961.

Earnings this year will probably show an increase on the order of 10% over last year's $2.53 a share. Dividend payments, including an extra of $.20, will amount to $1.60 a share this year. The recently increased quarterly dividend rate of $0.40 provides an indicated rate of $1.80 a share for next year. Selling at close to 30 times this year's estimated earnings, it would require a substantial adverse market reaction to bring this stock into an attractive buying range. END

Significance to Investors of Record "Secondary" Offering

(Continued from Page 288)

by the insiders. In brief these disclosures are required only to serve the theorem that the best guaranty of corporate chastity is corporate nudity. Still, the insider transactions do not occur in a vacuum and must have some meaning, although the problem of interpretation is a double one; a surmise must be made both as to the motives of the executives initiating the transactions and their judgment. Firmly established trends either of buying or selling in individual stocks have proved a reliable guide to the intermediate term outlook for the companies involved, but the handicap in utilizing this information has been the time lag before such trends can become discernible to outsiders.

Speedier Reports Are Essential

Reports on the number and share volume of secondaries, on the contrary, became public information immediately, and these could, therefore, be considered a more useful clue than insider transactions. Right now the secondaries indicate an attitude of at least mild caution on the part of "smart money." END

The Food Chains—How They are Meeting Labor Problems

(Continued from page 301)

from 20 to 25 cents a share quarterly. This action was deferred, because of temporarily lowered earnings.

With heavy concentration of stores in the Chicago area, **Jewel Tea** turned in quite a performance in the third quarter of this year, with an advance of 8% in sales over the same period of 1958, and 1% in net income—in spite of the steel strike. This indicates that full year volume and profits will be up again, extending the company's record of fifteen consecutive years of sales increases and five years of earnings gains larger than those of volume.

Four seems to be an important number for **The Kroger Company.** The company increased its dividend in the fourth quarter, the fourth such increase in four years, after four quarters in each of which earnings were better than a year previous. Progress so far this year suggests that 1959 earnings will achieve a gain rivaling the substantial advances by this company in 1956 and 1957.

The program of replacing small stores with large supermarkets continues, as does the policy of emphasizing Kroger brands, and the tendency to go slow in the introduction of nonfoods.

National Tea Company, fifth largest food store chain, has been more successful in the last ten years in increasing its sales and widening its territory than in lifting per share earnings substantially. Current year's results were adversely affected by a strike in Minneapolis, but prospects are that the full year will show some gain.

Continuing improvement in every respect characterizes **Safeway Stores.** Profit margins, once the lowest in the industry, are now second highest. Financial position is being improved by reduction of funded debt and preferred stock outstanding. Dividend rate has recently been increased. A vigorous program

(Continued on page 326)

531-3/4 Points Profit on 21 Stocks

...Aside from 138 Points Gain Already Taken in 1959!

SOUND PROGRAM FOR 1959-60

A FULLY ROUNDED SERVICE

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THE audit on November 9th of all stocks held in the open position of The Forecast shows a net of 531¾ points, over and above any losses. These profits are apart from the 138 points gain already "salted down" earlier this year.

This impressive record reflects our special skills and judgment — and the ability, so plainly demonstrated, to select stocks before they are split:

33% Gain on DENVER & RIO GRANDE WESTERN—This stock recommended at 39⅛ was split 3-for-1 a few months ago, so for each share bought our subscribers now hold 3 new shares selling at 17⅜.

55% Appreciation in SOUTHERN PACIFIC—This issue was picked as a buy at 45 and in August a 3-for-1 split was proposed—helping the stock to move up sharply to the present price of 69⅞.

121% Appreciation in REYNOLDS TOBACCO—We advised subscribers to buy at 55½ and recently the stock was split 2-for-1 so Forecast clients now have 2 new shares selling at 61½ for each share purchased.

300% Enhancement in INTERNATIONAL TEL. & TEL.—Originally recommended at 18½—this stock was also split 2-for-1 in 1959 so Forecast subscribers today own 2 new shares currently quoted at 37⅜, for each share acquired.

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of new store construction and replacement of smaller obsolete units continues.

Not even the management of **Winn-Dixie** Stores expects the company to be able to continue the spectacular growth it has enjoyed for many years. Although new stores continue to be added at a rapid rate, only about a 10% increase is foreseen in fiscal 1960. END

Important Decisions Pending On Piping Canadian Natural Gas to United States Markets

(Continued from page 291)

of three governmental agencies is necessary: the government of the Canadian province in which the gas reserves are located, the Federal Power Commission in Washington and the National Energy Board in Ottawa. This makes the obtaining of licenses a long drawn out and protracted process for the pipe line company concerned, in some cases involving a good deal of political lobbying.

Then there is the fact that both the governments of the Western Canadian Provinces, such as Alberta and British Columbia, as well as the Canadian Federal Government, are cautious about permitting any large-scale export of gas to the United States for a long period of years. They fear that there may not be sufficient reserves left in the future to serve the needs of the fast growing Canadian market. This is especially important because contracts for the delivery of natural gas are usually based on long periods such as fifteen or twenty years. There is no doubt that this is a factor which will weigh heavily with the National Energy Board of the Canadian Government in making decisions upon the applications which will be brought before it during the next few months for the piping of Western Canadian gas to markets in the United States.

Factors Determining Export of Canadian Gas

Then there are groups in Canada, both in the Western Provinces and in the Federal Government at Ottawa, who believe that this Western natural gas should primarily be used to promote the industrial and economic development of this area rather than be piped across the international boundary for the benefit of industrial groups in the United States. It was this attitude which dictated the building of the Alberta-Ontario-Quebec pipe line. This point has particular significance in connection with the proposals which are being brought forward today for the development of a petrochemical industry in the Canadian Western province similar to the one which had enjoyed such a remarkable growth in Texas during the past decade.

There is also the possibility that in the future the Canadian Government may want to make the right-of-access of the United States to these Canadian gas reserves a pawn in bargaining negotiations with Washington concerning trade concessions. Then from the American standpoint there is the possibility of uncertainty of supply. The Alberta Government reserves the right to cut off in the event of an emergency, exports of natural gas to the United States which are used for commercial or industrial purposes. One can imagine the dislocating effect of a sudden and unexpected action of this type by the Alberta Government on the operations of some industry or community in the United States which has been dependent upon Canadian sources for its supply of this fuel. There is also the factor that the Federal Power Commission, in considering applications which have come before it for the importation of gas from Canada via pipe line, has been inclined to regard Canadian gas reserves as supplementary sources of supply. For example, the West Coast Transmission Company was not allowed to pipe gas from British Columbia into the Pacific Northwest States until pipe line facilities had been built to connect that region with the gas fields in Northern New Mexico. And there is also the possibility that, if these delays continue, other sources of supply may be developed in the Rocky Mountain region of the Western United States.

Nevertheless, the population and the industries of the Pacific Coast States are growing at such a rapid rate today, that there is no doubt that in spite of these political complications, this region of the United States, in the future will receive a large part of its natural gas supply from the Western Canadian gas fields. END

Companies Reporting Above-Average Earnings Gains

(Continued from page 309)

ending December 31, 1959. Assuming a continuation of a strong economy in 1960 and the promise of an increased capital expansion program, Chicago Pneumatic Tool should maintain its improvement. At its recent price of 27, the stock yields 4% on this year's $1.12½ payout. END

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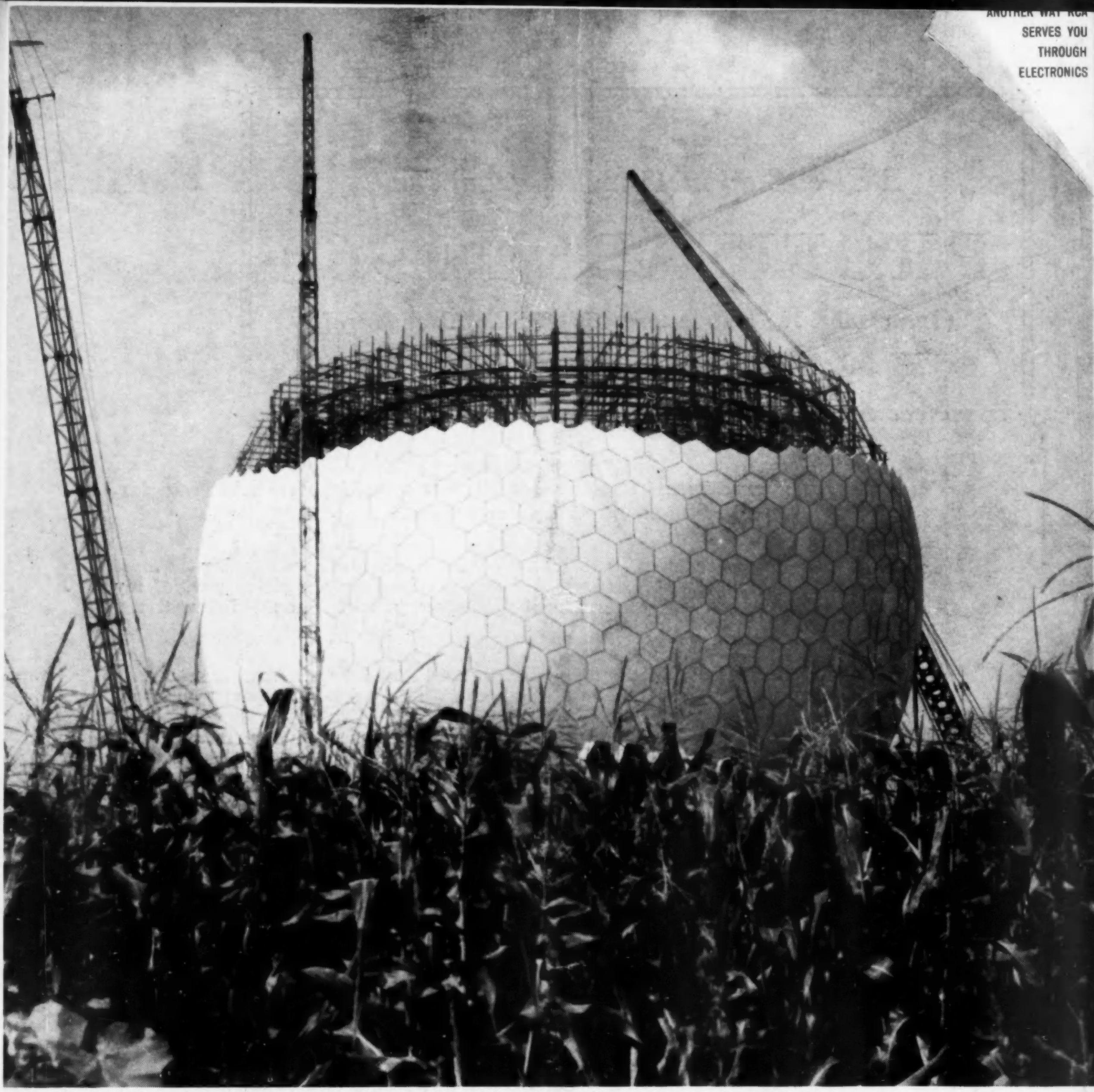

The giant radome, during construction, rises amid peaceful farmland. It is made of paper pressed in honeycomb design and faced with plastic-impregnated fiberglass—fabricated by Goodyear Aircraft Corp., as subcontractor on the project

RCA Electronics builds a global "bird" watcher

Motorists on New Jersey Turnpike see new RCA Radar installation designed for BMEWS.

It's not the beginning of a new world's fair, as some motorists using the New Jersey Turnpike near Camden may think. This big domed structure, now complete and rising to the height of a 15-story building, houses a full scale model of a Tracking Radar being built by RCA for BMEWS – the U. S. Air Force's Ballistic Missile Early Warning System.

Operating from sites in the far North, BMEWS is designed to detect ballistic missiles – commonly called "birds" – shortly after launching and to provide warning to Strategic Air Command retaliatory forces and other defense agencies.

And RCA, as weapon systems contractor, is using this installation as a test bed for the powerful, highly accurate Tracking Radar and associated high-speed Computer equipment. It will also be used in training RCA operator and maintenance personnel.

This is still another way in which RCA's pioneering in electronics works to strengthen our national defense.

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